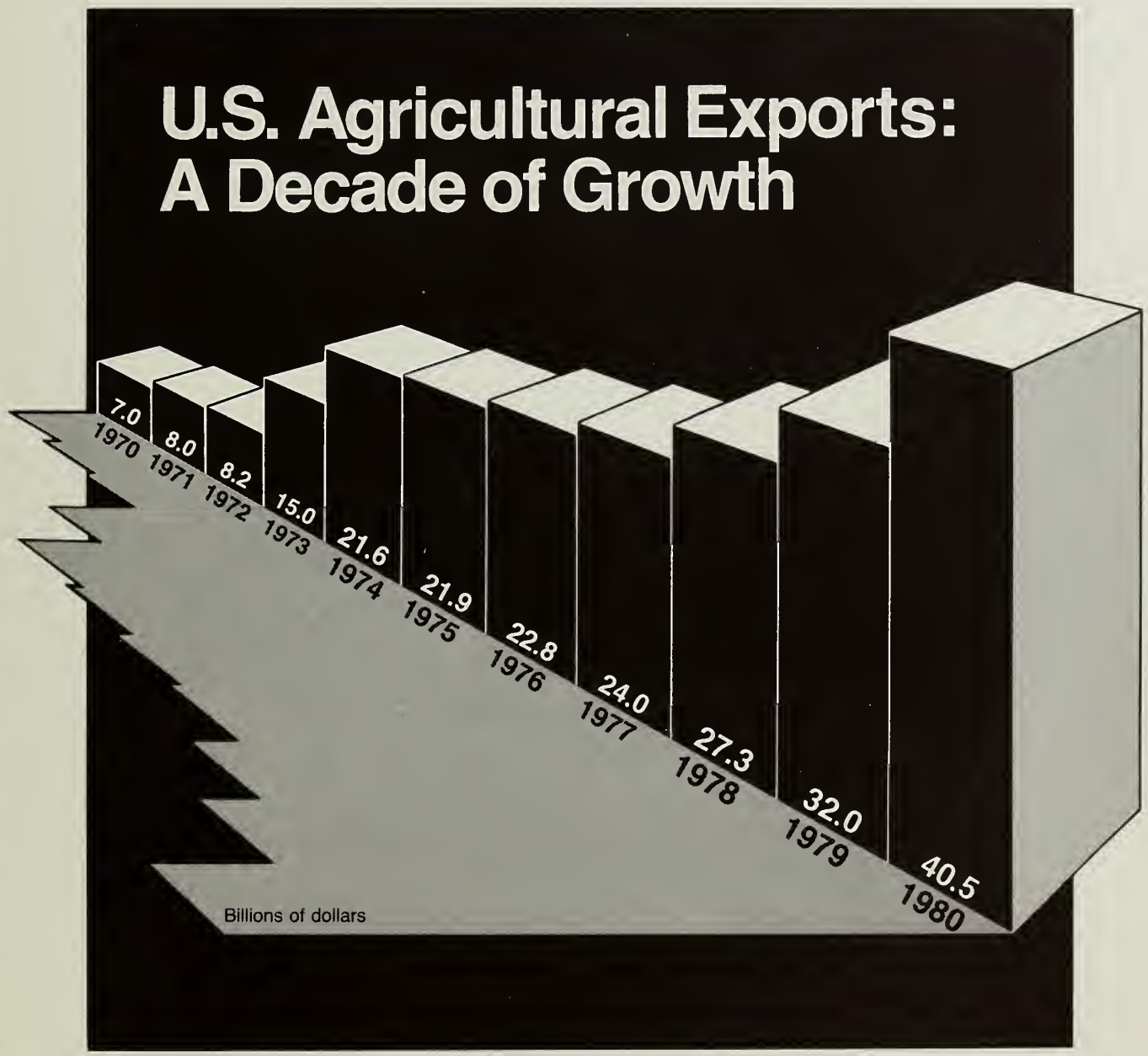
FOREIGN AGRICULTURE

December
1980

United States Department of Agriculture Foreign Agricultural Service



China Becomes Fourth Biggest U.S. Farm Customer • World Food Prices • U.S. Agricultural Exports Hit $40.5 Billion in Fiscal 1980 • India's Imports Continue To Rise

Developing Countries Face Growing Food Crunch

The world has become increasingly dependent upon a small number of net agricultural exporters for its food.

The bulk of the world's population increase is, and will be, in the developing countries and centrally planned economies. Thus, demand will grow in those nations, and increased income is likely to be translated into increased consumption of grains, soybeans, sugar, meat, and poultry products.

For a variety of reasons, including natural resource endowments, structure, and climate, it appears that domestic production of many of these commodities is unlikely to expand sufficiently to meet the internal needs of the developing and centrally planned countries. In fact, worldwide, the rate of growth in demand for food may be outstripping the rate of increase in agricultural output. Looking at the trends, some observers believe that we can anticipate a significant rise in the relative price of food some time before the end of this century.

Increases in per capita food production in developing countries has been virtually nil over the last decade. In these countries, food production grew by only 3 percent in 1978 and declined slightly in 1979. (The United Nations had set a target of 4 percent growth.)

The period ahead looks grim for many developing countries. It is clear that in order to meet the projected demand, the developing countries will either have to increase their domestic food production by at least 75 percent over the next 20 years or find ways to import immense quantities of food.

The capacity of the non-oil developing countries to import food and other essential goods has declined sharply in recent years. Quantum increases in oil prices have played a major part in creating this problem. Oil prices have increased almost 150 percent since the end of 1978 and 1,500 percent since the beginning of the 1970's. The first oil price shock added an estimated $124 billion to the world's oil bill over 2 years; the second will add almost $370 billion.

The non-oil developing countries have been particularly hard hit by these price increases.

Furthermore, the foreign exchange that the non-oil developing countries must pay for their oil imports is not returning to them. The recycling problem has become more serious, since the oil exporters do not return to the oil importers through any international arrangement sufficient foreign exchange to cover current account deficits of the developing countries.

Inflation in the developing countries—with rising prices for manufactured goods—has also sapped foreign exchange reserves in the developing countries by raising their import costs of capital equipment. But developing countries cannot afford to reduce their imports of capital goods without risking a further slump in their internal growth rates. Unfortunately, the developing countries have not been able to expand their export earnings in recent years to offset the increase in their import bills, and there are few signs of substantial improvement in the near future.

Because of the these constraints on foreign exchange earnings and reserves, financing for imports and developing programs will have to rely increasingly on commercial borrowings and concessional aid. However, the cost of borrowing is now very high, and the non-oil developing countries have already accumulated debt burdens of more than one-fourth of their combined national incomes. Many of them will have difficulty locating private sources of financing, and the poorest countries may not be able to qualify for commercial loans. They **must** depend on official development assistance for the foreign exchange they need.

Increasing energy costs directly affect the production and distribution of food in both developing countries and the major grain-exporting nations. In the United States, agriculture accounts for more than 20 percent of the nation's energy consumption. The cost of transporting grains from farms to processing and exporting centers has also risen sharply. Consequently, food prices have also increased, and this means higher food costs for importing countries and less grant food aid for each dollar Congress appropriates for this purpose.

Rising oil and manufacturing prices also affect the application of high-yield technology in developing countries, and hence their ability to step up production and distribution of food. These rising costs will affect the use of commercial fertilizers as well as equipment used in irrigation systems, harvesting, transport, and processing.

With 90 percent of external financing for development coming from official sources, the key question facing the low-income, food-deficit countries is whether official assistance—including aid from oil-exporting countries with surplus foreign exchange—will increase sufficiently to offset their sharply increased deficits. If it is not adequate, cutbacks in growth and development programs, as well as food shortages, may be inevitable for many poor countries where the people are chronically malnourished.

—Adapted from remarks by Dale E. Hathaway, Under Secretary of Agriculture, before the 16th Latin American Food Production Conference.

CONTENTS

FOREIGN AGRICULTURE

Vol. XVIII No. 12 Dec. 1980

The Secretary of Agriculture has determined that publication of this periodical is necessary in the transaction of public business required by law of this Department. Use of funds for printing Foreign Agriculture has been approved by the Director, Office of Management and Budget, through June 30, 1984. Yearly subscription rate: $14.00 domestic, $17.50 foreign; single copies $1.20. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

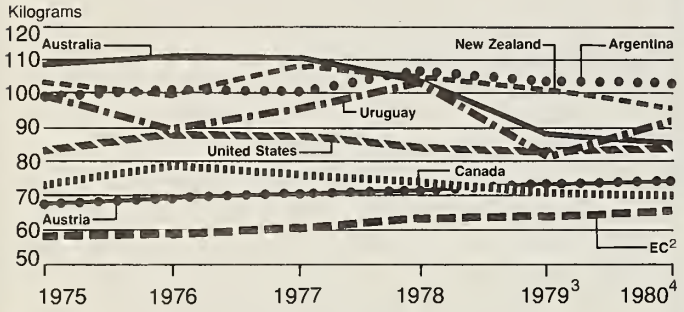
Page 7

Page 23

Page 26

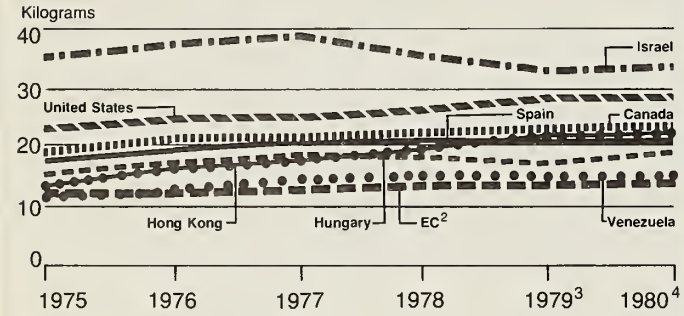
AGRI-DATA

Red Meat[1] Per Capita Consumption in Selected Countries; 1975-80



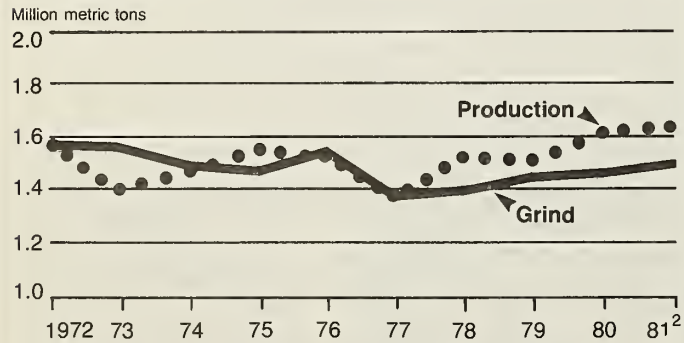
[1]Includes beef, veal, pork, lamb, mutton, goatmeat, and horsemeat.
[2]Average of EC-9.
[3]Preliminary.
[4]Forecast.

Poultry Meat[1] Per Capita Consumption in Selected Countries; 1975-80



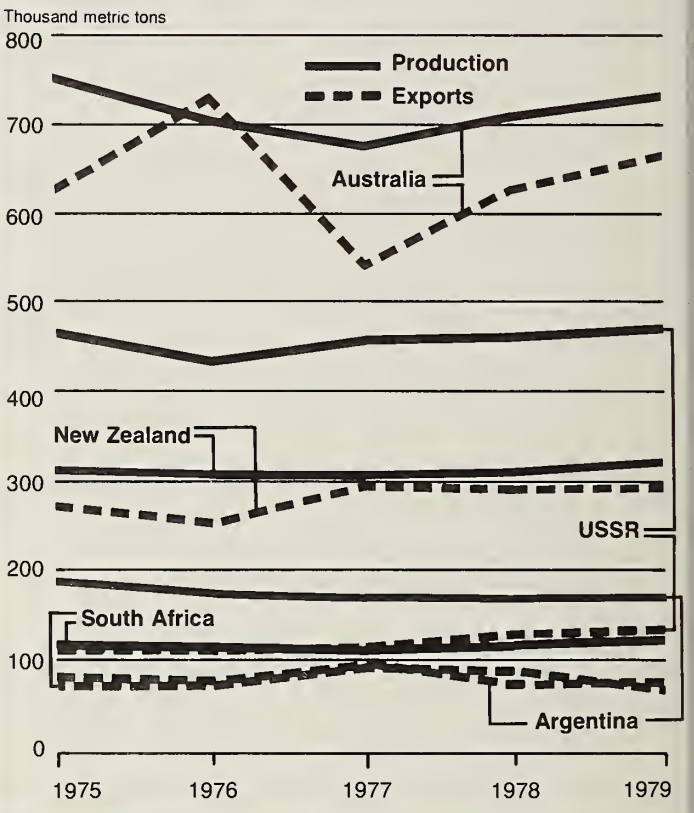
[1]Total poultry meat (dressed weight).
[2]Average of EC-9.
[3]Preliminary.
[4]Forecast.

World Production and Grind of Cocoa Beans[1]

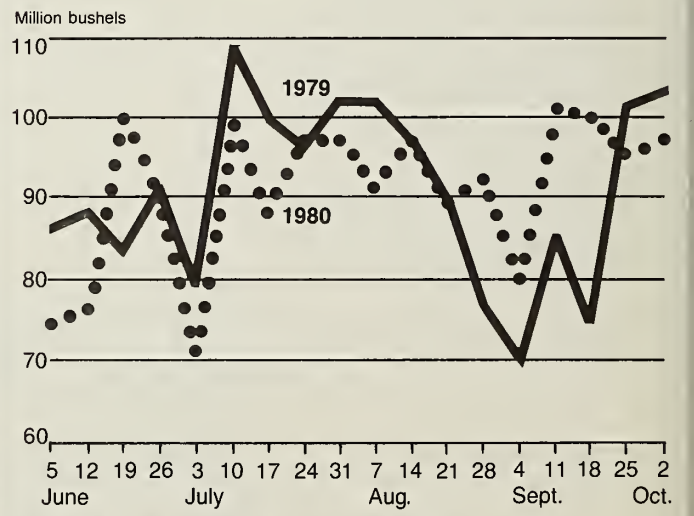


[1]Year ending September 30 for production. Approximately 90-day lag before crop reaches importing nations. Grind on calendar year basis.
[2]Forecast.

Wool Production and Exports by Five Top World Producers



Weekly Inspections of U.S. Grains[1] and Soybeans for Export[2]



[1]Grains include corn, wheat, sorghum, barley, and oats.
[2]Week ending on date given.

COMMODITY UPDATE

TRADITIONAL MAJOR MEAT IMPORTING COUNTRIES OF THE WORLD, The United States, Canada, European Community members, and Japan are expected to increase meat production in the range of 2-4 percent in 1980, compared with that of 1979. As a result, each is expected to have a reduction in net meat imports in 1980. Except for Japan, this results from lower beef imports, largely as a result of weaker prices for imported beef during much of the spring and summer, and from higher poultry meat exports. Pork moved into a net export position for these countries as imports into Japan fell and exports from the European Community and Canada rose.

The United States is expected to reduce net meat imports by 125,000-130,000 tons. Changes in the various meat categories vary, however, as a result of price considerations. Through most of 1980, the U.S. market price for beef and veal has been considered too low by the major meat exporters. As a result, U.S. imports are expected to decline about 13 percent. The U.S. market price for pork, while also considered low, attracted pork from Canada partially because of an exchange rate advantage. U.S. pork imports from Canada are expected to increase almost 25 percent in 1980.

In Canada, beef and veal, and pork should end the year with a positive trade balance. On April 1, Canada's swine numbers were estimated at 9.1 million head. This 11 percent increase from the year earlier level resulted in a weakening in hog and pork prices. As Canadian consumers substituted pork for beef, beef prices also weakened, aiding exports of both meats and discouraging imports.

The EC in 1980 is expected to continue its growth as a net exporter of meat, increasing its net export position by almost 215,000 tons. EC net exports of beef and veal are expected to gain over 150,000 tons.

Japanese net meat imports are expected to decline between 80,000-85,000 tons in 1980 from the 1979 level. Pork, lamb, and mutton imports are expected to be the hardest hit. This situation results from high production and imports of pork in 1979.

WORLD 1980/81 COTTON PRODUCTION IS CURRENTLY FORECAST AT 63.7 MILLION BALES (480 lb net), slightly below the 1979/80 record level. Foreign Agricultural Service's *World Crop Production* circular of November 10 indicates foreign cotton production is up from the October estimate, while U.S. output is down.

U.S. production is estimated at 11.2 million bales and foreign production at 52.5 million. Estimates for the Soviet and Chinese crops have been raised from September's levels. The USSR has announced a record 1980 seed cotton crop now estimated at 13.8 million bales of lint. Improved prospects in China now indicate a 1980 crop of 10.5 million bales.

U.S. cotton exports are projected well below the huge 1979/80 level, but above the average. Exports in the current season are well below last year's to all areas. Total 1980/81 exports are now forecast at 5.7 million bales.

COMBINED APPLE PRODUCTION IN THE NORTHERN HEMISPHERE is currently estimated at 13.42 million metric tons—3 percent below the record level harvested during 1979. Although output in North America is expected to increase from 4.46 million tons in 1979 to 4.48 million tons in 1980, shorter crops in most European countries are projected to yield a combined crop on the Continent of only 8.94 million tons—down from 9.36 million tons in 1979.

Pear output in the Northern Hemisphere is currently estimated at 3.75 million tons, slightly greater than the 3.73-million-ton outturn in 1979. Production in North America is projected to rise 3 percent to 892,300 tons. A moderate 2 percent increase—to 2.15 million tons—is also expected in the European Community's crop, despite smaller outturn in West Germany, the Netherlands, and the United Kingdom.

AS PROSPECTS FOR THE 1980 GRAIN CROPS BECOME MORE APPARENT, it is becoming clearer that production will fall significantly short of utilization and that world stocks will be drawn down to levels nearly comparable with the situation in the early to mid-1970's. The lower U.S. corn crop is a major factor in the tightening world situation, but disappointing crops in the USSR and Eastern Europe, together with prospects for reduced harvests in China, Australia, and South Korea also are contributing factors.

World grain production in 1980/81, including milled rice, is now estimated at 1,395 million tons, down slightly from last year's reduced level, while global utilization is placed at 1,435 million tons, up 7 million tons from last year's. The implied reduction in stocks is 40 million tons, which follows upon a 27-million-ton drawdown a year earlier.

The recent 20 million ton reduction in estimated Soviet production is likely to impact upon the world grain situation only marginally this year, as most of this downturn will have to be offset in Soviet utilization. The 1980 Soviet grain harvest is now placed at 185 million tons, compared with an estimate of 205 million in October. The new estimate is in line with official Soviet statements.

Because of the partial suspension of grain sales, together with tightened global supplies and Soviet logistical considerations, Soviet imports of wheat and coarse grains are expected to remain at last year's 31-million-ton level.

THE 1980 U.S. TOBACCO CROP IS CURRENTLY ESTIMATED AT 807,644 TONS (1.78 billion pounds), 17 percent above the 1979 crop but still 13 percent below the 931,000 ton average produced in the 1974-78 period. The 1980 crop was reduced by hot, dry weather during August.

The flue-cured belt was especially hard hit as actual marketings fell 8 percent below the effective marketing quota. Quality also was diminished by the hot, dry weather—especially the middle- and upper-stalk leaf demanded by export customers.

Sales of flue-cured leaf through November totaled 520,330 tons (1,147 million pounds) at an average price of $3,196 per ton ($1.45 per pound). About 12 percent of the leaf marketed had been received by the Flue-Cured Tobacco Cooperative Stabilization Corporation.

Exports from the 1980 flue-cured crop are currently projected at 230,000 tons (farm sales weight).

DECLINES IN SOVIET SUNFLOWERSEED AND COTTONSEED, ARGENTINE SOYBEANS, and African peanuts were primarily responsible for the 500,000-metric-ton reduction in the November world oilseed estimate to 161.2 million tons. The declines were partially offset by increases in West European rapeseed and Chinese and Indian cottonseed.

U.S. production of oilseeds is estimated at 55 million tons, not much different from October's estimate.

U.S. exports of soybean meal for 1979/80 set a record of 7.2 million tons—20 percent above the 1978/79 level. Shipments to the European Community increased 39 percent. U.S. soybean oil shipments also set a record—up 15 percent to 1.2 million tons.

THE INTERNATIONAL SUGAR AGREEMENT'S GOVERNING COUNCIL met in London the week of November 17 for—among other things—the annual review of the Agreement's target price range (which was 12-22 cents). In general, exporting members sought an increase in the range and importers resisted such an increase. After considerable debate the range was set at 13-23 cents per pound, but the new prices will not go into effect until market prices fall within the set range.

China Captures No. 4 Spot Among U.S. Farm Markets, Grain Agreement Points to a Bright Future

It was a very good year for U.S. farm exports to China — $1.95 billion worth shipped in fiscal 1980 to a country that 4 years ago was buying almost no U.S. agricultural products. Only Japan, the Netherlands, and Mexico exceeded this level, as U.S. exports to China more than doubled their fiscal 1979 total of $917 million and coincidentally passed the $1.5 billion in shipments to the USSR.

An equally good showing appears likely for fiscal 1981, reflecting in large part the recent U.S.-China grain agreement providing for annual exports of 6-8 million metric tons of U.S. wheat and corn to China during 1981-84. The new agreement, signed in Beijing on October 21, accomplishes two major U.S. objectives — promoting the sale of U.S. grain to a large and growing market and furthering the process of building a long-term structure for U.S.-China relations.

It also injects greater underlying stability into a trade that has fluctuated widely in past years. After hitting a high of 4.3 million tons in calendar 1973, for instance, U.S. grain exports to China fell to nothing in 1975-77 and then spurted to 3.3 million and 4.2 million, respectively, in the following 2 years. For calendar 1980, they are seen advancing another 85 percent to a record 7.8 million tons or more. This amounts to about 60 percent of the more than 13 million tons of grain expected to be imported by China this year — the largest U.S. share since 57 percent in 1973.

Simultaneously, China has become the leading export market for U.S. cotton, while shifting from a major soybean exporter to a major importer.

The most recent growth spurt began shortly before establishment of diplomatic relations with China on January 1, 1979, and continued during the drafting and implementation of a U.S.-China Trade Agreement. That agreement, effective February 1, 1980, provided for mutual extension of most-favored-nation treatment, extension of U.S. export credits for Chinese imports of certain U.S. farm products, and stepped-up U.S. market development programs. Market development in China will be further facilitated by the opening next year of a U.S. Agricultural Trade Office in Beijing.

By the end of calendar 1979, U.S. farm exports to China were running at an annual rate just under $1 billion — then considered to be a high figure that might not be sustained in the near future.

Instead, the United States doubled the $1-billion showing in a year's time as new highs were recorded for shipments of five of the six major U.S. export categories (see table).

Projections for fiscal 1981 point to U.S. exports to China of around $2.3 billion, including shipments of about 9 million tons of grain, 650,000 tons of soybeans, and 1.3 million bales of cotton.

U.S. trade growth has been spurred by a number of recent changes within China, ranging from rapid expansion in textile production, to some shifting of production from grains into industrial crops, to a probable setback this year in grain output.

Cotton, for instance, became the No. 1 U.S. export earner in China during

Fields near Gueilin in southwest China.

Bosed on informotion supplied by vorious ogencies of the U.S. Deportment of Agriculture.

fiscal 1980 as shipments soared to 520,000 tons worth $760 million from 141,400 tons valued at $194 million in fiscal 1979. Chinese Government policies encouraging growth in textile output, alongside recently disappointing results from Chinese cotton output, contributed to the gain, as did favorable U.S. prices last year.

Thus, while China replaced Japan as the world's leading cotton importer in the 1979/80 marketing year (August-July), the United States boosted its share of that market to 60 percent from 29 percent in 1978/79.

China can be expected to remain a large purchaser of U.S. cotton. However, tightening world supplies and rising prices, combined with slower increases in Chinese yarn output, will likely temporarily limit Chinese import expansion.

Rising domestic demand also has reversed China's position in world soybean trade — from third largest exporter during the early 1970's to ninth largest importer currently. The country is expected to import 750,000 tons of soybeans in fiscal 1981, with most of these coming from the United States. This follows a 210 percent trade growth to 810,000 tons between fiscal 1979 and 1980.

During fiscal 1980, U.S. earnings from soybean and soybean oil exports to China surpassed $250 million, for a more than threefold gain from the nearly $75 million earned in fiscal 1979.

Trade in wheat and corn —second-and-third place U.S. agricultural exports to China — is being influenced by reduced Chinese crops this year.

Poor weather conditions since the fall of 1979 have contributed to a prospective total grain shortfall in China of 8 million tons during 1980 from the record 278.5 million[1] achieved in 1979. Drought in northern China caused a more than 10-percent reduction in the summer-harvested crops (mainly winter wheat, accounting for 80-85 percent of China's wheat crop, and barley). Moreover, late-ripening of early crops and continued poor conditions resulted in delayed planting and maturation of autumn-harvest coarse grains and rice, increasing their vulnerability to early frosts.

Output of rice in 1980 could fall as much as 2.3 millon tons short of last year's 140.5 million metric tons, while coarse grain production may equal about last year's 77.5 million tons.

This is the first production setback since the current Government took over in 1977, whereas usage of grains continues to rise steadily.

These increasing needs derive from a population growth rate of about 1.2 percent, planned rises in consumer demand and — most importantly — greater efforts to meet the needs of grain-deficit areas. In addition, the Chinese are now promoting greater adaptation of production to local conditions. This growth in specialization already has resulted in a small shift of area from grain to industrial crops.

Thus, China will become increasingly dependent upon improved yields for any increase in grain production, a dependence that will make the country even more

Backgrounder on the U.S.-PRC Grain Agreement

- Agreement commits the People's Republic of China (PRC) to purchase and the United States to supply at least 6 million metric tons of wheat and corn annually over the next 4 years beginning January 1, 1981.
- If the PRC intends to purchase over 9 million tons of wheat and corn, it will notify the U.S. Government. The U.S. Government will promptly notify the PRC of any measures that might affect the availability of quantities above 9 million tons.
- The overall purpose of the agreement is to facilitate expanding trade and U.S. production planning through greater availability of information on PRC import requirements. It also will help to regularize trade from year to year between the two countries.
- The agreement provides for annual consultation between the two countries.
- Negotiations began in the middle of September in Beijing and were completed in mid-October, followed by the October 21 signing of the agreement in Beijing. Tong Zhiguang, Director of Import Division; China National Cereals, Oils, and Foodstuffs Import and Export Corporation led the Chinese delegation. Thomas R. Saylor, Associate Administrator of the Foreign Agricultural Service, led the U.S. side.
- U.S. grain trade with the PRC has fluctuated widely since trade was resumed in 1972—from no grain trade in some years to approximately 4 million tons in 1973 and 1979. Annual purchases from the United States during 1973-79 averaged about 1.1 million tons of wheat and 300,000 tons of corn. China's total annual imports from all origins over this period averaged about 5.5 million tons of wheat and 1 million of coarse grains.
- The absolute level of U.S. grain sales to China will be well above those of past years; on a calendar-year basis, the new minimum is about 50-percent above the previous best.
- China also has long-term grain agreements with Canada, Australia, Argentina, and France. These, together with the U.S.-China agreement, provide for Chinese grain imports of 12-17 million tons annually, pointing to new records for such imports in the next few years while allowing considerable room for annual variability.
- The low proportion of corn in the agreement suggests that no major increase in imports for feed purposes is planned for the next several years; grain agreements now in place are largely geared to direct consumption requirements.
- In fiscal 1981 China is expected to purchase around $2.3 billion worth of U.S. farm commodities. Current estimates are for imports of about 7.5 million tons of wheat, about 1.6 million tons of corn, close to 650,000 tons of soybeans, and about 1.3 million bales of cotton.

[1]Includes wheat, coarse grains, and rice, but not tubers and pulses as included by the Chinese.

vulnerable to China's volatile weather patterns. Furthermore, a recent policy decision not to raise procurement quotas over the next several years may limit procurement at a time when specialization is creating larger grain deficit areas.

These factors suggest that China will continue to import large quantities of grain, particularly of wheat, during the next few years.

The U.S.-PRC Grain Agreement ensures that the United States will have a sizable share of this future grain trade. Effective from January 1, 1981, through calendar 1984, the agreement provides for annual purchases of 6-8 million tons of U.S. wheat and corn during this period. An additional 1 million tons may be purchased without prior notice, making the effective range 6-9 million tons. China is to give the United States prior notice of any purchases above 9 million tons, while the United States must consult with China if tight supplies prevent it from fulfilling export commitments in any one year.

The agreement does not fix precise quantities of wheat and corn to be delivered. However, the Chinese are primarily interested in wheat, with corn sales expected to be approximately 15-20 percent of the total.

The grain will be sold through normal commercial channels at prices prevailing at the time of the transaction. The agreement also makes clear that the United States will treat China no less favorably than it does other customers in allocating U.S. grain exports during short supply situations and that China will treat the United States no less favorably than it does other suppliers in allocating any reductions in grain imports.

Another clause in the agreement expresses the intent of both parties to avoid excessive volatility in their grain trade. This means that the Chinese will seek to space their purchases throughout the year, while the United States will attempt to maintain a stable supply of wheat and corn.

The China National Cereals, Oils, and Foodstuffs Corporation is implementing the agreement for China, while the Foreign Agricultural Service is implementing it for the United States.

While nailing down a large share of the Chinese grain market, the agreement does not give the United States any unfair advantages over other major exporters. Indeed, the United States was a latecomer to a series of bilateral negotiations that provide for imports of 6.3-8.2 million tons of grain[2] annually from Canada, Australia, Argentina, and France. This means that China has lined up 12-17 million tons of grain annually at least through 1981, when the Australian agreement expires. In addition, the PRC has purchased 200,000 tons of Thai corn for delivery during 1981.

This large and increasing trade has made China the third largest grain importer next to the USSR and Japan. And in terms of wheat imports it was the world's second largest in 1979/80, exceeded only by Japan, and the leading purchaser in 1977/78 and 1978/79. Its total grain imports account for roughly one-twelfth of world grain trade, and its wheat imports for around one-eighth of the wheat trade. □

The Top Six U.S. Agricultural Exports to China, Fiscal 1979 and 1980

Item	1979		1980	
	1,000 metric tons	*Million dollars*	*1,000 metric tons*	*Million dollars*
Cotton	141.4	193.5	514.0	755.0
Wheat	2,454.0	324.0	4,036.0	671.0
Corn	2,754.0	291.6	1,788.0	226.0
Soybeans	141.9	37.8	809.7	200.7
Soybean oil	58.8	35.9	99.7	56.5
Inedible tallow	1.0	.6	30.7	16.0

PRC Grain Imports, Calendar 1972-80

Year	Wheat	Coarse grains	Total[1]	Total from U.S.	U.S. share of total
	Million tons				*Percent*
1972	4.3	0.4	4.6	0.9	20
1973	6.0	1.7	7.6	4.3	57
1974	5.3	1.4	6.8	2.8	41
1975	3.3	.1	3.4	—	—
1976	1.9	—	1.9	—	—
1977	6.8	—	6.8	—	—
1978	8.0	1.3	9.3	3.3	35
1979	8.4	2.5	10.9	4.2	39
1980[2]	11.3	1.7	13.0	7.8	60

[1]Totals may not add exactly due to rounding. [2]Preliminary estimate.

Current PRC Long-Term Agreements

[In million tons]

Supplying country	Date signed	Period	Annual quantity	Grains	Comments
Argentina	9/80	1981-84	1.0-1.5	Wheat, corn, soybeans	Replaces 5/78 agreement which was to have run through 1981.
Australia	1/79	1979-81	2.0-2.5	Wheat	No current shipments; contract for 1981 being negotiated.
Canada	2/79	1979/80-1981/82	2.8-3.5	Wheat	Current 6-month contract for 1.4 million tons ends 1/81.
France	9/80	1980/81-1982/83	0.5-0.7	Wheat	Some doubt about whether shipments of this size will materialize.
U.S.	10/80	1981-84	6.0-9.0	Wheat and corn	15-20 percent corn.
Total			12.3-17.2		

[2]Includes small amounts of Argentine soybeans.

U.S. Farm Exports Hit Record $40.5 Billion in Fiscal 1980, Another High Seen for '81

By Stephen R. Milmoe

Sharp gains in both export volume and value carried U.S. farm exports in fiscal 1980 to their 11th straight record—$40.5 billion or some 27 percent above exports in fiscal 1979. Another gain to around $48 billion is seen for fiscal 1981 in the face of rising prices for grains and oilseeds and likely increases in grain export volume.

U.S. agricultural imports last year rose by 7 percent to $17.3 billion, primarily as a result of sharp increases in sugar and coffee prices. The resulting positive trade balance hit a record $23.2 billion, helping offset the large negative showing for nonagricultural trade.

The atmosphere in early fiscal 1980 was one of guarded optimism over possible export gains—optimism that was further tempered by the January 4 suspension of grain exports to the USSR. As a result of the suspension, total U.S. grain shipments to the USSR were limited to the 8-million-ton maximum provided for in the U.S.-USSR grain agreement, whereas earlier forecasts had indicated that the United States might ship 25 million tons of grain to the USSR.

However, with monthly grain and oilseed exports consistently above year-earlier levels, it gradually became apparent that exports were being underestimated.

Particularly impressive was the growth in exports of feedstuffs and foodgrains—reminiscent of the sharp jump that occurred in 1973. U.S. export volume of grains, oilseeds, and their products rose by nearly 24 million tons, or 19 percent, from the fiscal 1979 level. This, coupled with a 9-percent increase in prices, resulted in a 28-percent gain in the combined export value of grains and oilseeds.

Fiscal 1980 also saw several dramatic changes among the leading markets for U.S. farm products. Japan remained the No. 1 outlet, as U.S. farm exports there reached $5.8 billion. However, shipments to the USSR dropped from $2.2 billion in fiscal 1979 to $1.5 billion, while the Netherlands moved into the No. 2 position held last year by the USSR.

Mexico shot from ninth largest market in fiscal 1979 to third biggest; U.S. shipments there hit $2 billion in a wave of Mexican buying to compensate for drought-reduced grain and oilseed crops and satisfy rising domestic demand. And China was close on its heels, at $1.95 billion, as sharp growth in U.S. sales of cotton, wheat, and soybeans led to a more than doubling of exports from $917 million in fiscal 1979.

The United States exported $21.1 billion worth of farm products to developed countries in fiscal 1980. The high levels of meat consumption in these countries explains their 52 percent share of all U.S. feedgrain exports and 78 percent share of fiscal 1980 soybean exports.

U.S. exports to less developed countries (LDC's) in fiscal 1980 rose by 35 percent to $13.7 billion, accounting for more than one-third of all U.S. agricultural exports. Grains and products, at $7.1 billion, made up about two-thirds of the gain to LDC's.

In their efforts to maintain viable livestock economies, the centrally planned countries imported nearly $4.6 billion worth of U.S. grains and oilseeds. This represents 81 percent of their total agricultural imports from the United States in fiscal 1980.

U.S. **wheat** exports last year hit a record 36.1 million tons, surpassing the record 35.9 million tons set in 1973 during the first bulge in Soviet grain imports. Exports of wheat to South America rose by 28 percent to 5.3 million tons, as much of the exportable surplus in Argentina—a major supplier to the region—went to the USSR. Eastern Europe took over 2.6 million tons of U.S.wheat, a 232-percent increase following a disastrous wheat crop in 1979, and reduced shipments from the USSR. Exports to Western Europe rose by 24 percent to 3.2 million tons.

Feedgrain exports were an unprecedented 71.2 million tons in fiscal 1980, the bulk of that being corn (61.4 million tons) and sorghum (8.2 million). In September, the corn export unit value rose to $143 per ton, bringing the fiscal year average to $128 per ton. Major gains were recorded in exports to Japan (15.6 million tons—up 39 percent from the fiscal 1979 levels), Mexico (6.4 million tons—up 250 percent), Spain (3.3 million tons—up 77 percent), Eastern Europe (7.5 million tons—up 37 percent), and South America (3.6 million tons—up 67 percent).

U.S. corn exports in fiscal 1981 are

U.S. Agricultural Exports: Volume By Commodity, October-September 1976/77-1979/80

Commodity	1976/77	1977/78	1978/79	1979/80	1978/79-1979/80 change
	1,000 mt	*1,000 mt*	*1,000 mt*	*1,000 mt*	*percent*
Wheat and flour	24,717	32,834	32,217	36,948	+15
Feedgrains	50,602	55,545	59,505	71,159	+20
Rice	2,319	2,276	2,397	2,955	+23
Soybeans	15,155	19,686	20,194	23,833	+18
Protein meal	4,263	5,840	6,291	7,599	+21
Vegetable oils	1,221	1,532	1,563	1,854	+19
Cotton, excluding linters	989	1,317	1,341	1,986	+48
Tobacco	290	272	287	283	-1
Other	12,310	12,568	13,642	17,260	+26
Total[1]	111,866	131,870	137,437	163,877	+19

[1]Actual export tonnage, not converted to product equivalents. Excludes animal numbers and some commodities reported in cases, pieces, dozens, liquid measures, etc.

The author is an analyst with USDA's Economic and Statistics Service.

seen increasing to 66 million tons, despite drought-induced reductions in the 1980 crop—while the price of corn is expected to rise by $45-$50 per ton.

Soybean exorts in fiscal 1980 amounted to 23.8 million tons, versus 20.2 million the previous year. Over half of this increase in demand originated in the European Community, which absorbed 10.5 million tons—up 24 percent. Japan remained the largest individual market, taking 4 million tons—slightly below the fiscal 1979 level. China moved into the top 10 markets for U.S. soybeans, taking 810,000 tons against only 142,000 the previous

Despite a precipitous decline in shipments during August-September, **cotton** exports in fiscal 1980 hit a new high of slightly under 2 million tons valued at $1,519 per ton. With the exception of Canada (60,000 tons), the major cotton markets were the Asian textile producers.

Following an early season decline, **tobacco** exports recovered toward yearend and nearly equaled the volume shipped in fiscal 1979. A 6-percent increase in price, to $4,770 per ton, resulted in a total value gain of 4

Exports of **animals and products** totaled $3.8 billion in fiscal 1980, 3.5 percent above the previous year's. Poultry exports showed the most dramatic increase—48 percent—to $546 million. North Africa and the Middle East increased their takings of U.S. poultry products by 340 percent to $86 million. The EC added another 50 percent as it took nearly $59 million. Japan remained the largest market for animal products, taking $732 million worth, despite a decline of 18 percent from the previous year.

Exports of **hides and skins** fell 14 percent in volume and 24 percent in value. Demand for whole cattle hides plummeted to 19.3 million pieces, 20 percent below the fiscal 1979 volume.

Canada remained the largest U.S. market for **fruits and vegetables**, commanding 28 percent of the $2.25 billion total export value. Japan retained a 15-percent share.

U.S. exports of **refined sugar** and related products were up 104 percent to $372 million. This increase was the result of Government authorization of "drawback" payments to U.S. exporters of refined sugar. This measure makes U.S. refined sugar exports competitive in the world market for the first time since World War II. □

Value of U.S. Agricultural Exports: Top 10 Markets and Major Commodities, Fiscal 1980

[In million dollars[1]]

Country	Total	Grains	Oilseeds	Animal products
Japan	5,775	2,536	1,118	727
Netherlands[2]	3,525	495	2,081	110
Mexico	2,006	1,058	412	282
China	1,946	906	258	26
West Germany	1,872	243	705	190
Canada	1,830	228	238	265
Korea	1,618	778	126	178
USSR	1,457	1,153	231	33
Spain	1,449	624	612	57
Italy	1,323	511	515	94
Taiwan	1,109	428	239	76
United Kingdom	1,061	334	181	201
Total	24,971	9,294	6,716	2,239
Grand total	40,481	17,168	9,811	3,770

[1]Adjusted for transshipments through Canada but not for transshipments through other countries.
[2]Not adjusted for approximately $1.1 billion worth of transshipments.

U.S. Agricultural Exports: Value By Commodity, October-September 1976/77-1979/80

Commodity[1]	1976/77	1977/78	1978/79	1979/80	1978/79-1979/80 change
	Mil. dol.	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*	*Percent*
Animals and animal products:					
Dairy products	170	156	116	156	+34
Fats, oils, and greases	583	574	705	784	+11
Hides and skins, excl. furskins	590	604	978	754	-23
Meats and meat products	608	688	844	871	+3
Poultry and poultry products	302	332	368	546	+48
Other	394	474	631	658	+4
Total animals & products	2,647	2,828	3,643	3,770	+3
Grains and preparations:					
Feedgrains	5,345	5,700	6,658	9,102	+37
Rice	689	873	884	1,170	+32
Wheat and flour	3,003	4,072	4,775	6,555	+37
Other	238	265	293	341	+16
Total grains and preparations	9,275	10,910	12,610	17,168	+36
Oilseeds and products:					
Vegetable oils and waxes	767	957	1,093	1,244	+14
Soybeans	4,307	4,749	5,444	6,164	+13
Protein meal	950	1,176	1,415	1,718	+21
Other	362	558	602	685	+14
Total oilseeds & products[2]	6,386	7,440	8,554	9,811	+15
Other products and preparations:					
Cotton, excluding linters	1,529	1,694	1,896	3,016	+59
Tobacco, unmanufactured	1,065	1,132	1,292	1,349	+4
Fruits and preparations	804	979	1,042	1,300	+25
Nuts and preparation[2]	223	288	449	787	+75
Vegetables & preparations	697	649	756	954	+26
Feeds and fodders	620	575	774	1,092	+41
Other	728	817	959	1,234	+29
Total products and preparations	5,666	6,131	7,168	9,732	+36
Total	23,974	27,291	31,975	40,481	+27

[1]Some commodity groups in this table differ slightly from those used by FAS. [2]Commodity groups revised in 1978/79. Shelled peanuts, excluding oil stock, were moved from "oilseeds" to "nuts."

Sharp Rebound Seen for U.S. Farm Exports to India

India's expanding volume of food imports, pushed steadily upward by rapidly rising consumer demand and greater availability of foreign exchange, is forecast to continue its upward trend of the past 3 years.

The new Indian Minister of Commerce has adopted a more favorable trade policy toward the United States — a marked departure from the previous policy, which inhibited purchase of U.S. products. The total value for U.S. exports to India was $1 billion in 1979, including only one-fourth for agricultural items.

India's total exports to the United States are now also in the vicinity of $1 billion, consisting only one-fifth of agricultural items. India seeks to expand sales of diamonds, jute products, castor oil, and various manufactures to the United States.

U.S. exports of agricultural commodities to India during 1980 could reach $500 million — double the 1979 level but still well off the 1976 peak of $774 million — because of larger sales of soybean oil, tallow, bulgur wheat, pulses, raisins, and wheat. India purchased some U.S. wheat this year, although the 50,000 tons was a token level compared with 4 million tons in 1976. The recent wheat purchases were paid for by Bangladesh, as a part of its compliance with plans to repay India for rice and wheat delivered to Bangladesh in 1979. Bakers and flour millers in India like the quality of U.S. wheat.

India's total foreign-exchange reserves rose to more than $7 billion in early 1979, compared with about $5.4 billion in 1978, but declined recently. Remittances from Indian workers in the Mideast and Europe contributed significantly to the upward trend of 1976-79.

Vegetable oils. After petroleum and fertilizer the largest single item on India's import bill is edible oils. Although India is a major producer of oilseeds — 12-13 million tons annually — rapid population growth has widened the gap between supply and demand.

India currently imports more than 1 million tons of vegetable oils annually. Even at this level, there are pockets of shortages in some parts of the country, and it is unlikely that India will soon be able to meet domestic demand completely. On the contrary, imports are likely to increase over the next several years.

The United States is the principal supplier of soybean oil, the most important of India's vegetable oil imports. In 1978/79, India imported 580,000 tons of soybean oil, 389,000 tons of palm oil, 115,000 tons of rapeseed oil, and 17,000 tons of sunflowerseed oil.

Demand for U.S. soybean oil may increase from the current level of over 400,000 tons to about 600,000 tons by 1984/85 or earlier — if price relationships are favorable. U.S. exports of soybean oil to India reached 337,000 tons valued at $205 million in January-June 1980 — up from 101,000 tons valued at $70 million in the first 6 months of 1979. This caused the value for U.S. agricultural exports to India to rise by 116 percent in the first 6 months of 1980 to $245 million.

Wheat and flour. U.S. exports of wheat and flour to India declined from 4 million tons in 1976 to 74,226 tons in 1978 and only 11,679 tons in 1979. Prospects for future U.S. wheat sales to India depend on the size of the gap between supply and demand of all cereals — a gap estimated at 15-18 million tons for 1979/80. Government grain stock total about 16 million tons, and will be available for distribution before any plans for large imports are implemented.

The modern grain warehouses operated by Indian Government agencies have a much lower rate of loss from rodents and insects than was the case previously, when private grain traders had a more important role in grain storage and distribution than is now the case.

Tallow. Although India is a large producer of vegetable oils, it continues to import tallow for its domestic soap industry.

Several experiments using tallow as a component in the manufacture of animal feed have been successful. but these have not been carried forward on a commercial scale because of the unavailability of tallow to the Indian feed industry. Tallow imports are limited by the State Trading Corporation, a Government agency.

Corn. The United States sent 10,000 tons of corn to India during January-June 1980. These shipments were made through programs involving international agencies.

Pulses. Although India is one of the world's leading producers and consumers of pulses, production has not kept pace with demand. During the past 20 years, production has ranged between 10 million and 13 million tons, while per capita availability is around 16-18 kilograms per year or about half the 1960 level. Consequently, India must import quantities of pulses from various sources, notably Syria and Thailand.

During 1978/79, India imported about 101,000 tons of pulses valued at the equivalent of $32 million, including 55,000 tons of lentils from Turkey and Syria, 20,000 tons of mung beans from Thailand, and about 8,000 tons of beans and peas from New Zealand and the United States. Nepal was the major source of India's imports of pulses in the mid-1970's, before new markets for Nepal's pulses opened up in the Mideast.

While f.o.b. prices of U.S. pulses are competitive, the high freight factor tends to negate this advantage. India's National Agricultural Cooperative Marketing Federation is interested in obtaining U.S. pulses, provided the prices are competitive with those offered by other suppliers. The upward trend in India's imports of pulses is expected to continue.

Because of religious preferences, mutton tallow — supplied largely by Australia — is generally preferred to beef tallow, for which the United States is the main supplier. However, the religious taboo is slowly giving way to greater acceptance of beef products.

Consumer demand for soap is rising with personal income, and there is an urgent need to expand soap production facilities to meet demand for the product.

As poultry and animal husbandry continues to develop on a more scientific basis, demand for more nutritious and balanced feeds will increase. Under these conditions, demand for tallow will expand, and U.S. suppliers should be able to increase their share of the Indian market.

Imports of tallow from the United States were 8,834 tons in 1977/78, and advanced to 12,900 tons in 1978/79.

Dairy animals and semen. The White (dairy products) Revolution that succeeded the Green Revolution is drawing increasing attention from India's planners. Considerable interest has been expressed in obtaining U.S. dairy cattle for breeding stock as well as for increasing milk yields.

India produces more than 26 million tons of milk annually. High-quality milk is now distributed in cities of 100,000 population or more as a part of Operation Flood. Imports of nonfat dry milk exceed 35,000 tons annually, including several thousand tons from the United States.

In recent years India has imported some 800-1,000 head of Jersey and Holstein-Friesian heifers. Overall experience with cattle and sheep of U.S. origin has been very satisfactory, and greater interest by Indian agencies in imports of animals and semen from the United States can be expected.

Although India does not encourage imports of frozen semen for general crossbreeding purposes, frozen semen of superior bulls in leading milk producing countries will be imported over the next 2 years.

Poultry. Government import policy for fiscal 1980/81 (Apr.-Mar.) provides for imports of poultry grandparent stock, under license, by registered hatcheries approved by the Ministry of Agriculture.

The policy permits eligible firms to import stock valued at not more than $62,500. In addition, imports valued at a maximum $12,500 may be allowed against exports of hatching eggs and live chicks.

The U.S. pure-line stocks are highly regarded by Indian hatcheries, and U.S. exporters continue to be able to fill a significant share of India's

Continued on page 14

India Imports U.S. Sheep To Improve Wool Yields

India has imported 521 American Rambouillet breeding sheep to improve wool quality and yields throughout its 40-million-head sheep flock.

One of the world's largest sheep-raising countries, India plans to expand total sheep numbers to 45 million by 1985 and 60 million by 2000 through improved breeding techniques, feed and fodder upgrading, better management, and more efficient health practices.

India's important sheep farming regions are in Rajasthan, Himachal Pradesh, and Jammu and Kashmir. The U.S. Rambouillets were selected by Indian Government officials from ranches in Wyoming and South Dakota, where climate and altitude approximate conditions in India's major sheep regions.

Following the normal quarantine period after arrival in Delhi by air from Chicago, the 431 ewes and 90 rams were distributed among 10 Government breeding farms. There, the Rambouillet animals are being bred with the domestic Rampur Boushier breed. The goal is to produce an improved crossbred sheep that will yield up to 8-10 kilograms of wool annually, compared with the existing level of 1.75-2 kilograms obtained from indigenous breeds.

The safe arrival (no losses; no illness) of the U.S. Rambouillets was the culmination of a year-long coordinated effort by the Rambouillet Association, Indian Ministry of Agriculture and State Government officials, the U.S. Agricultural Counselor and staff members in New Delhi, U.S. livestock exporters, and FAS livestock marketing specialists in Washington, D.C. — *L. Ben Thompson, Commodity Programs, Foreign Agricultural Service.* □

India has imported 521 Rambouillets to improve its national herd. At top, a group of U.S. Rambouillets adjusts to their new home at Rishikesh, India. At bottom, staff members at the Rishikesh Livestock Station.

import needs. U.S. exports of chicks and hatching eggs to India in 1979 were valued at $113,000 — more than double the 1978 level of $46,000 and 1977's $45,000.

To encourage research and development as well as adoption of indigenous breeding stock, the Indian Government plans to ban imports of grandparent stocks after March 1982. Prior to that date, India probably will import a substantial volume of grandparent as well as pure-line chick stocks.

India currently has about 40 million commercial hybrid layer chicks and about 25 million broilers. The Government estimates that these numbers will increase to 60 million and 35 million, respectively, by 1984/85.

The Government also is considering the extension of economic assistance to duck farming, an important rural occupation in the northeastern coastal areas.

Almonds, raisins. India's production of almonds is only about 2,500 tons, and raisin output is virtually nil. Afghanistan and Iran — two of India's major suppliers for these commodities that enjoy preferential tariff status — have increased their prices recently and their shipments have been disrupted.

The only other commercially viable supplier is the United States. If U.S. almond and raisin producer-exporters and Indian importers work together successfully, the Indian Government may modify its existing tariff schedules and permit more U.S. raisins and almonds to be imported.

While growth potential for imports of almonds and raisins from the United States is good, actual imports will depend upon India's disposition to provide equal treatment to all supplier countries.

Export of U.S. almonds to India began in 1977, when they were placed under open general licensing. The product was well accepted in India at the consumer level, despite some initial hesitation by the trade. Exports of U.S. almond kernels to India increased from 755 tons in 1977/78 to 986 tons in 1978/79.

Imports of U.S. raisins were only 14 tons in 1977/78, but rose to 197 tons in 1978/79. — *Based on reports from W. Garth Thorburn, U.S. Agricultural Counselor, New Delhi, and John B. Parker, Jr., Economics and Statistics Service.* □

MIATCO Head Describes Work Of Member States at Seminar

Finding new overseas markets is an unending task requiring great attention to many details, according to Jack Runyan, Director of the Missouri Department of Agriculture (MDA), and President of the Mid-America International Agri-Trade Council (MIATCO), an organization devoted to expanding exports of farm products from the Middle West. "While the objective is the same for all FAS foreign market development cooperators—to sell more agricultural products overseas—a different approach is required to promote the export of just one or a group of related commodities than is needed to sell the agricultural production of an entire State," he noted.

As a consequence, there have developed two types of organizations: Those representing producers of products—legumes, cotton, soybeans, breeding cattle and swine, horses, feedgrains, dairy and poultry products, and fruits and vegetables, for example—and groupings representing geographical regions.

MIATCO and the three other regional bodies are made up of State Departments of Agriculture—12 Midwest States in the case of MIATCO. EUSAFEC (Eastern U.S. Agricultural and Food Export Council, Inc.) represents the Departments of 10 States on the Atlantic coast, SUSTA (Southern United States Trade Association) 15 States and Puerto Rico, and WUSATA

In 1980, for the third year in succession, the four regional market development groups cooperated with FAS by mounting displays for an FAS-sponsored Japanese food buying mission. Here are scenes from MIATCO's Kansas City (Mo.) exhibit, Sept. 19: Arrival of mission members; overall view of exhibit hall; an exhibitor's booth.

(Western United States Agricultural Trade Association) six Pacific coast States and American Samoa.

As much as possible, Runyan pointed out, each State Department of Agriculture (SDA) coordinates its individual programs with those of the regional organizations, but, at the same time, the SDA must perform duties mandated by the laws of its State.

Runyan, who addressed the annual seminar meeting in Washington of the U.S. Agricultural Export Development Council (USAEDC)—an organization that serves as the general point of contact between commodity and regional market development cooperators and USDA's Foreign Agricultural Service—detailed some of the workings of the Missouri Department of Agriculture and their relationship with the operations of MIATCO.

Since Missouri's export promotion programs are similar to those of other States, Runyan said he was acting as spokesman for all the other States, and that what he said about Missouri's programs would largely be true of those of all the States.

He said that Missouri's market development program has two audiences — those producers and tradesmen interested in exporting, and those who want to remain in the domestic market. The purpose of the program is to provide information helpful to both, he said. After locating a prospect who is nominally interested in venturing into export trade, the Missouri Department of Agriculture provides him with data to assist him in making a decision.

"If the decision is to export," Runyan said, "the flow of materials becomes more specific. MIATCO, or the individual SDA, supplies the prospect with data dealing with the availability of export financing, including information about the credit and insurance programs of USDA's Commodity Credit Corporation and its General Sales Manager, as well as from private sources.

"Would-be exporters also are advised about the best and cheapest means to ship their commodities overseas, and about health and label requirements of the target country."

"Once we have assisted a firm to make its initial contacts with a foreign buyer—perhaps through leads supplied by the FAS Trade Opportunity Referral Service (TORS)—which makes available trade inquiries from foreign prospects—or helped the firm make face-to-face contact with prospects at an FAS-sponsored overseas trade show, and have walked it through the steps necessary to complete a few export transactions, the Missouri Agriculture Department's (MDA) role changes significantly," Runyan said. "At this time the new exporter can benefit from efforts made by MDA in the foreign market development field—MDA, individually and as a member of MIATCO."

At the present time, MDA's International Marketing Division works out of three locations and a fourth will be opened in the spring of 1981. The majority of the staff is located at the Department's headquarters in Jefferson City, Mo. Two offices are located overseas: In Dusseldorf, West Germany, and in Singapore. The fourth unit is an animal export facility to be opened this year at the Kansas City (Mo.) International Airport.

Overall direction of MDA activities is centered in the Director in Jefferson City and it is from there that the Department coordinates its overseas and in-State programs. It is also from there that MDA meshes its activities with those of MIATCO and works with the Foreign Agricultural Service. It also collaborates from there with the many FAS foreign market development cooperators such as the American Hereford Association, the American Soybean Association, and others that are interested in building larger exports of Missouri's farm products.

The Department works closely with Missouri's livestock industry, a major enterprise credited with generating the largest share of the State's agricultural cash receipts.

At the present time, the Department is working closely with State and regional swine and dairy goat associations to help them develop appropriate corporate structures to facilitate exports.

"Increasing numbers of cattle and swine are being exported by air and with the opening of its livestock air-export facility at Kansas City, the Department will be in a position to handle such shipments more efficiently. Animals will undergo less handling stress, increasing the chances they will arrive at overseas terminals in much better condition than at present," Runyan said. "And the Missouri certification program will assure importers they are getting healthy animals."

The Missouri Department of Agriculture welcomes requests for information from the State's farmers and commodity merchants who have an interest in overseas trade possibilities for Missouri farm products. Persons in most other States should contact their own State Department of Agriculture in their State Capital, addresses of which can be obtained easily.

In States not having a Department of Agriculture, the public library can probably provide the address of the correct State agency.

Or you can write to MIATCO or one of the other regional organizations at the address given here:

Eastern U.S. Agricultural and Food Export Council, Inc. (EUSAFEC), serving exporters in Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont. Write to: Henry Behrens, Exec. Dir., 2 World Trade Center, Suite 5082, New York, N.Y. 10047.

Mid-America International Agri-Trade Council (MIATCO), serving exporters in Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin. Write to: LaVerne E. Brabant, Exec. Dir., 300 West Washington St., Suite 710, Chicago, Ill. 60606.

Southern United States Trade Association (SUSTA), serving Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia, and Puerto Rico. Write to: Herbert Stone, Exec. Dir., International Trade Mart, Suite 338, 2 Canal St., New Orleans, La. 70130.

Western United States Agricultural Trade Association (WUSATA), serving Alaska, American Somoa, California, Hawaii, New Mexico, Oregon, and Washington. Write to: Dr. James Youde, Exec. Dir., 3600 Main St., Vancouver, Wash. 98663. ❑

By Marcellus P. Murphy, staff writer, Foreign Agriculture.

Survey Shows Season Change Brings Normal Price Rises

The ending of the summer season and the advent of cold weather have brought on normal end-of-season food price increases, although in some countries natural events such as floods and drought have given prices of some items an extra upward nudge.

As Christmas and New Year's approach, the consumers of many countries will begin to make extra-large purchases in preparation for the holidays, adding a new impulse to the price climb. Not only will foods traditionally bought for the holidays be affected, but in many instances, large purchases of new foods will be made, and as a result prices also will reflect this increased demand.

Price highlights from U.S. Agricultural Counselors and Attachés follow:

Bern. Most red meat prices are down, reflecting oversupplies. Eggs and most fruits and vegetables also are lower. Lemons being offered at $1.66 per kilogram are not source-marked, but are probably Italian. Grapefruit also have appeared on the market, with Texas Ruby Red marked at 58 cents each and Florida selling for $1.32 per kilogram in units of three.

Brussels. High retail prices for sirloin steak remained virtually unchanged whereas those for chuck roast were higher because of greater demand for lower priced cuts. Bacon prices rose to a record high, but fresh pork prices were at the lowest level since July 1979. Sizable exports of eggs to the Middle East and West Germany and of broilers to the Middle East and the Soviet Union sent prices of both upward. Prices of vegetable oil (peanut) rose to the highest level since September 1979, urged upward by bad oilseed crop prospects in the United States and Senegal. The short onion crop in the Netherlands, Belgiums' leading foreign supplier, sent retail prices up 25 percent above those of a year ago. But in line with the continued downtrend in world market prices, retail coffee prices declined from last month's price.

Buenos Aires. Potatoes have increased 100 percent in price since the last survey was taken, reflecting a severe shortage resulting from floods in the main potato producing area.

FAS Survey of Retal Food Prices in Selected World Capitals, November 4, 1980

[In U.S. dollars per kg[1] or units as indicated, converted at current exchange rates]

Item	Bern	Bonn[2]	Brasilia	Brussels	Buenos Aires	Canberra	Copenhagen	London	Madrid	Mexico City[2]	Ottawa	Paris	Rome	Stockholm[2]	The Hague	Tokyo	Wash., D.C.
Steak, sirloin, boneless	17.46	—	2.84	12.53	7.80	7.69	13.95	13.65	8.63	—	7.90	10.66	11.52	—	12.41	38.00	8.68
Roast, chuck, boneless	9.31	—	2.55	6.86	6.76	5.93	6.94	6.81	5.71	—	4.63	10.58	10.42	—	7.22	31.02	6.59
Pork chops	8.73	—	2.25	5.06	6.76	5.51	7.47	6.34	4.19	—	4.56	5.92	7.13	—	4.31	8.22	5.82
Roast, pork, boneless	13.10	—	3.38	5.25	9.36	4.89	7.10	5.51	7.03	—	4.70	6.81	7.13	—	7.51	8.55	5.93
Bacon, sliced, pkgd.	5.82	—	5.38	5.51	9.88	6.83	7.53	8.43	8.17	—	3.71	21.62	5.81	—	10.61	9.42	3.46
Broilers, whole	3.20	—	1.40	3.35	3.28	2.80	3.72	2.55	1.66	—	2.62	3.98	2.96	—	2.36	3.92	1.52
Eggs, dozen	2.21	—	.77	1.55	1.80	1.67	1.97	1.96	1.33	—	1.00	2.25	1.54	—	1.42	1.50	.95
Butter	8.29	—	2.59	4.90	7.80	2.70	4.37	4.31	7.66	—	3.26	5.74	5.29	—	[3]4.25	5.92	5.18
Margarine	3.03	—	1.41	2.45	6.14	2.46	1.98	2.65	3.72	—	2.46	2.34	2.14	—	[4]1.53	3.01	2.18
Cheese, Cheddar	8.21	—	3.24	6.93	11.44	2.64	6.92	5.51	7.36	—	5.37	6.51	6.14	—	7.71	5.70	5.66
Milk, whole, liter	.79	—	.39	.64	1.51	.59	.62	.74	.49	—	.64	.59	.60	—	.52	.99	.73
Oil, cooking, liter	2.10	—	.84	1.84	3.90	2.42	3.27	2.08	1.51	—	1.92	1.76	1.03	—	1.26	2.00	1.73
Tomatoes	1.40	—	.59	1.80	4.00	1.60	3.56	2.16	.57	—	1.66	1.71	1.65	—	1.35	3.18	1.74
Onions, yellow	.87	—	.38	.64	1.25	.60	1.67	1.03	.36	—	.58	.82	.55	—	.38	1.08	.64
Potoatoes	.52	—	.89	.22	1.04	.87	.93	.32	.27	—	.36	.26	.33	—	.19	.98	.60
Apples	1.16	—	1.96	.87	2.03	1.21	1.37	1.79	.96	—	1.19	.57	.77	—	.47	1.51	1.19
Oranges	1.34	—	(2)	1.10	1.25	.83	1.69	2.55	.73	—	1.25	1.48	1.65	—	.96	1.51	.86
Bread, white, pkgd.	1.98	—	(2)	1.13	2.30	1.26	2.07	1.13	(2)	—	1.02	2.37	1.76	—	.91	1.88	1.50
Rice	1.11	—	(2)	1.13	1.98	(2)	1.98	1.52	1.37	—	1.99	1.48	1.10	—	.96	1.55	.99
Sugar	1.05	—	(2)	1.13	1.61	.57	1.74	.91	.72	—	1.36	.91	.94	—	.90	1.32	1.65
Coffee, ground roasted	7.92	—	2.89	7.44	12.48	14.08	8.66	10.58	7.11	—	7.39	7.87	7.95	—	5.78	15.43	6.37

Prices in this table may not be directly comparable due to differences in quality, packaging, and seasonal variations in supply.

[1]1 kilogram = 2.2046 pound. 1 liter = 1.0567 quart. [2]Not available. [3]Price in Oct. *Foreign Agriculture* should have read 4.85. [4]Price in same issue should have read 1.59.

Increases registered by other food items are the result of the cost-of-living rise in the last 2 months, plus—in some cases—the impact of the value-added tax of 12 percent on fresh and processed products, which was implemented October 6, 1980.

Canberra. Meat prices, with the exception of some pigmeat types, have remained comparatively stable from the level previously reported. Pork prices have tended to increase because of seasonally lower supplies. Potato prices have risen with supplies affected by drought, while fruit prices have increased seasonally as dealers are dependent on crops harvested last summer and fall.

Copenhagen. The appreciation of the dollar in relation to the kroner since the last food survey reveals considerable price reductions in dollar terms. Most beef and pork cuts have declined, reflecting a reduction in producer payments. Abundant supplies of domestic and other EC (European Community) apples have pushed prices down again over the past 2 months. The only notable increase in prices was for vegetable oil, which has risen 17 percent. Coffee prices are down slightly but traders think that the bottom has been reached.

London. Since the last survey, meat prices have risen because unseasonal cold weather has boosted demand, especially for beef. Pork prices reflect a further tightening in supplies of slaughter pigs. Bacon prices held steady, however. Broiler prices, cheaper than in September, reflect plentiful supplies and easing of demand.

Eggs are going through a normal seasonal price rise. English butter continues on special offer in some supermarkets at an attractive price. No changes have been noted in milk or bread prices, which are still subject to some statutory controls. Marketings of homegrown tomatoes have ended and higher prices reflect dependence on imports.

Madrid. Retail prices for most food items have remained fairly stable in the last 2 months, with changes reflecting seasonal production patterns and Government price actions. Poultry meat prices have declined in recent weeks, largely because of abundant supplies and weak consumer demand resulting from high rates of unemployment and inflation.

Ottawa. Prices of beef items have eased slightly since September as weaker cattle market prices filtered down to the consumers. Strong increases are noted for pork items for the second consecutive price survey, reflecting a firm hog market price. A dramatic price increase was recorded for broilers as pork prices strengthend demand for poultry. Reflecting price adjustments by the Canadian Egg Marketing Agency in relation to costs of production, retail egg prices rose 5 cents per dozen since the last survey. Sugar continued to climb, but coffee, apples, and onions were the only items other than beef to show declines.

Paris. The retail price index rose 1.14 percent in August and 0.99 percent in September as food price increases continued the trend started in midsummer of generally running ahead of consumer prices. Several weeks ago there had been some upward pressure on prices of some meat items such as poultry as consumers shifted away from veal in response to calls for a veal boycott. However, much of the pressure has since subsided and meat price relationships are returning to normal.

Rome. After the general price rise reported in the last survey, prices of most items have been stable, but are expected to increase as a consequence of higher pre-Christmas demand. Pork prices are substantially lower because of temporary reintroduction of the old IVA tax rate (9 percent instead of 15 percent) pending new legislation. New crop apple prices are down strongly from those in the last survey, when the supply of old crop fruit was small. Tomato prices arose 25 percent, owing to a seasonal drop in supply. The coffee price was 10 percent lower than 2 months ago.

The Hague. Inclusion for the first time of prices of a superdiscount store has put prices of three items at or below price levels reported 2 months ago. Partly as a result of this, the total price of the package is down by 4.4 percent and is even down by 5.5 percent, compared with the total price a year ago. Beef prices remain virtually unchanged but pork prices continue to drop because lower than anticipated exports caused a domestic oversupply. Broiler prices are up somewhat and egg prices are firmer.

Butter and salad oil prices are lower than 2 months ago; margarine is a shade higher. Prices of vegetables and fruits are, or should be, in their seasonal upswing but ample supplies of potatoes, onions, and apples have softened this trend and prices of these items dropped considerably. Bread and sugar prices are up a few cents per kilogram, but coffee prices are down, both because of lower world market prices and a change in supplier, which resulted in an extra reduction. All other prices remain virtually unchanged from 2 months ago.

Tokyo. Pork prices are declining as the result of a joint campaign by producers, wholesalers, and retailers to boost pork consumption during the last months of the year. Egg output has declined because of cool weather in the latter part of September. High feed prices and a smaller volume of imported aggs—coupled with strong demand—caused shell egg prices to jump from the end of September through October.

Vegetable cooking oil prices rose slightly and will remain at about the same level until onhand stocks (including wholesale) run short. Price changes in the fruit and vegetable sector are resulting from seasonal factors and an oversupply of sugar has caused prices to sag during October.

Washington. Following the pattern in many other cities, prices of some foods advanced in response to the change in seasons, although the arrival of new crops caused nut, apple, and citrus prices to fall. The winter pear crop is expected to set a new record, but supplies of eggs, milk products, and beef are termed only adequate for the demand. Pork, however, is plentiful. Coffee prices were down slightly. □

Food prices of selected commodites are obtained by U.S. agricultural counselors and attaches on the first Tuesday of every other month. Local currency prices are converted to U.S. prices on the basis of exchange rates on the date of compilation. Thus, shifts in exchange rates directly affect comparisons between time periods.

The objective of the survey is to reflect the level of prices in other countries of items normally purchased by U.S. consumers. Exact comparisons are not always possible, since quality and availability vary greatly among countries. An attempt is made to maintain consistency in the items and outlets sampled, but they are not necessarily representative of those in the reporting countries.

Harmonized Tariff System, Scheduled for 1985, Seen as Aid to Trade

By Abraham Avidor

A major international effort to improve and unify world tariff nomenclature is scheduled for completion by 1985, when most trading countries are expected to adopt a new harmonized system of tariff descriptions for goods moving in world trade.

In preparation since 1973 by the 88-member Customs Cooperation Council, the new system is designed to provide a common framework for the widely differing tariff schedules of the world's trading nations.

The United States has been an active participant in preparation of the new system in the expectation that the system may be officially adopted by the U.S. Government as well as by most U.S. trading partners.

Adoption of the new system by major trading nations will permit, for the first time, accurate correlation of individual country tariff schedules and world trade statistics.

The harmonized system is based on — and in many respects is an extension of — the existing Customs Cooperation Council Nomenclature (CCCN), formerly the Brussels Tariff Nomenclature. However, the CCCN is unsuited to U.S. purposes in its present form because of its limited scope.

The Customs Cooperation Council (CCC) has completed a review of — and has provisionally adopted — nearly all of the 99 chapters comprising the harmonized system, including 23 chapters related to agriculture.

The remaining work includes final review during 1981 of all chapters, writing of explanatory materials in 1982/83, publication, and adoption of the system in 1983/84. Worldwide inauguration of the system is tentatively scheduled for January 1985.

An important question to be decided is whether the harmonized system will be adopted as a convention at the six-digit level.

The United States favors adoption of the harmonized system at the six-

Six-Digit Classification In the Harmonized System

The proposed six-digit classification (favored by the United States) in the harmonized system would provide more detailed product description for goods in world trade than found under the four-digit level now in use.

The first two digits of any tariff number in the harmonized system reflect the chapter number — generally a broad commodity group.

The next two digits represent a heading within a chapter — a product group within a commodity group.

The last two digits represent a specific product related to the product group.

Example: 1 0 0 6 4 0 (broken rice)
10 (cereals)
06 (rice)
40 (broken rice)

Harmonized System of Tariff Classification: Projected Implementation Schedule

Date	Internationally	United States
Late 1980-early 1981	Provisional adoption of remaining chapters	Informal alinement with TSUS. U.S. decision on implementation as a convention. U.S. preparation for review of provisionally adopted chapters, including briefing of advisory committees and circulation of adopted chapters for comment
1981	Final review, all chapters	Earliest possible draft conversion of TSUS to harmonized system, including alinement of tariff rates
1982/83	Writing of explanatory proposed materials	Conversion from TSUS, including public hearing on proposed conversions and review with advisory committees
1983	Publication and submission to Customs Cooperation Council for approval	
1983/84	Period for reservations and adoption by contracting parties	Completion of TSUS conversion—including studies of economic impact and minor tariff negotiations—and submission of the legislative package to U.S. Congress
Jan. 1, 1985	Target date for implementation	Earliest possible implementation date for the United States

digit level — in contrast to the CCCN's four-digit system — because the six-digit code provides sufficient detail of product description and specification for goods moving in world trade.

If adopted as a convention, the system could have certain advantages for the United States.

A convention could:

- Provide an improved means for resolving nomenclature disputes at the international level.
- Guarantee that the United States and its major trading partners would use the same tariff nomenclature at the six-digit level on a legally binding basis, which would permit improved monitoring of the customs and trade policy practices of U.S. trading partners.
- Replace the CCCN system, which falls short substantively and administratively of meeting U.S. purposes.

The CCC's Harmonized Systems Committee initially explored the possibility of creating an entirely new system of commodity descriptions and coding, but concluded that the most viable prospect for developing and implementing an international system within a reasonable period lay in building on one or more existing systems.

The CCCN and the United Nations Standard International Trade Classification (which is compatible with the CCCN) were selected for this purpose. Although the United States did not adopt the CCCN, the Tariff Schedules of the United States (TSUS) have been significantly influenced by it, and it has been used extensively by many other countries and providers of trade statistics.

Basically, the harmonized tariff system consists of:

- A structured nomenclature with associated six-digit numbers, which determine the detail of product description and hence the degree of uniformity required of all signatory countries.
- A detailed list of commodity descriptions (descriptor list), coded and linked to the structure nomenclature.
- An alphabetical index developed from the descriptor list.
- Explanatory notes. □

The author is an international economist in the Trade Policy Division, FAS.

Japan's Newest Soybean Crushing Firm To Open Plant in Kyushu

Japan's monthly soybean crush capacity will be enlarged by 10,000-17,000 metric tons by the opening in Kyushu next year of the first plant of a newly established soybean crushing firm—Japan-s 12th devoted almost exclusively to soybean crushing. The country's current monthly crush capacity is estimated at 325,000 tons, and — based on a daily capacity of 13,000 tons and an average 25-day working month—annual capacity is nearly 4 million tons.

The Japanese oilseed crushing industry is the largest export customer for U.S. soybeans, taking 3.7 million tons in 1979, compared with 3.9 million tons in 1978. U.S. soybean sales to Japan will probably rise in the future since the crushing industry is gradually enlarging and upgrading its facilities to handle potential increases in domestic demand for soybean oil and meal.

Japan's oilseed crushing industry consists of 175 firms having a total of 192 oil mills. In addition, three other firms—operating six plants—refine vegetable oil. Most of the firms are small, with only three of the 175 having more than 1,000 employees. The largest has 5,514 employees, the other two, 1,704 and 1,005, respectively.

Two of these plants are also diversified food manufacturers and the exact number of employees working only in their crushing operations is not known. Eleven of the 175 are considered major firms; their operations include the crushing of a broad spectrum of oilseeds, but mostly soybeans.

In 1978, the last year for which complete data are available, crushings ran from a high of 3.2 million tons for soybeans to a low of 1,660 tons for peanuts. Other leading seeds were rapeseed (with crushings of 862,700 tons), rice bran (563,500 tons), corn (107,500 tons), and linseed (95,960 tons). The total for 14 seed varieties crushed that year was 5.13 million tons.

Nearly all of the large soybean crushing plants are located at dockside in Yokohama and Kobe. Of 1979 soybean imports totaling 4.13 million tons, the port of Kobe handled slightly more than 1.0 million or 24.4 percent of the total, followed by Yokohama with 746,000 tons (18.1 percent), Chiba, 518,000 tons (12.5 percent), and Nagoya, 429,000 tons (10.4 percent).

Chiba has only three crushing plants and—although it handles a sizable volume of soybeans each year—most are transsipped. Soybeans are discharged from ocean vessels as large as 60,000 deadweight tons and are loaded aboard coastal vessels and

The Japanese oilseed crushing industry is the largest export customer for U.S. soybeans, shown here being loaded for the start of their trip to market.

barges for transport to mills in northeastern Honshu and Hokkaido.

All of the major oilseed crushers except one have refining capacity and market vegetable oils under their own brand names. Consequently, the industry is strongly integrated vertically and is extremely competitive. A company's ability to market oil at the wholesale or retail level directly influences the size of its purchases of oilseeds, including soybeans, since crushers generally are unable to store large volumes of crude vegetable oil and are not able to sell surplus oil to other crusher/refiners.

The practice of expanding soybean crushing capacity by building new plants got underway in 1962 when modern crushing facilities were built in Nagoya. Others followed in other cities between 1963 and 1974.

Japanese vegetable oil mills usually operate only 25 days per month, largely because plant closedowns are required for boiler checks and scheduled maintenance and repair.

Crushers are continually upgrading the efficiency of mills already in operation to increase existing capacity.

The soybean crush in January-December 1979 was 3.4 million tons, for an average monthly crush of 283,000 tons, and a use rate averaging 87 percent of capacity. The largest amount of soybeans ever crushed in Japan in any month was 321,000 tons, a volume achieved in November and December 1979 and March 1980.

Expellers are used for rapeseed, safflowerseed, copra, and flaxseed. In addition, most cottonseed still is crushed by older expeller plants that have been converted to the solvent extraction process. Total expeller capacity is estimated at about 9,000 tons daily.

Japan's oil refining capacity is estimated at slightly over 5,000 tons per day. However, the mill of one major firm mainly processes coconut and palm oils and, therefore, does not contribute to Japan's soybean oil refining capacity.

Because liquid soybean oil is not hydrogenated in Japan, most oil mills have no soft hydrogenation equipment, although at least two plants are equipped to produce margarine and shortening. — *Based on report by Dudley G. Williams, U.S. Agricultural Counselor, Tokyo.* □

West Germany Uses More U.S. Tobacco, Gain May Continue

West German consumption of U.S. tobacco was up slightly in 1979, but the U.S. share dropped, continuing a downtrend of some year's standing. Imports of U.S. tobacco also were off, resulting in the lowest U.S. market share since World War II; imports and market share, however, may rise somewhat in 1980, according to Pieter G. Berben, of the U.S. Agricultural Trade Office in Hamburg.

West Germany's total tobacco imports in 1979 were 5.3 percent lower than the previous year's, at 183,407 tons, down from the 1978 record of 193,300 tons. Imports of U.S. tobacco (port arrivals) between 1978 and 1979 dropped nearly 21 percent to 35,378 tons, and the U.S. market share was a record low of 19.3 percent.

U.S. flue-cured tobacco use was down in 1979 compared with use of such leaf from all other suppliers, but consumption of U.S. burley rose considerably more than other burley.

West Germany's consumption of U.S. tobacco is expected to level off, and the longer term outlook is not good. High cost, quality and availability problems, and the reentry of Rhodesia into the world tobacco trade arena will probably cause West German tobacco buyers to continue to edge away from U.S. leaf.

The 1979 gain by U.S. burley (up 1,742 tons, 22.2 percent) slightly offset the drop in use of U.S. flue-cured tobacco (down 1,628 tons, 6.3 percent). Overall the German tobacco industry kept its use of U.S. tobacco at a comparatively high level, largely because the greater buying power of the Deutsche mark vis-a-vis the dollar helped maintain high-quality U.S. leaf prices in proper relationship with low-quality leaf from other countries.

The 9 percent appreciation in the value of the Deutsche mark versus the U.S. dollar kept the non-U.S. c.i.f. price rise down to 1.4 percent, while the c.i.f. price of U.S. tobacco rose by 3.2 percent. On an average, U.S. leaf cost nearly 64 percent more than all other leaf. Benefiting from these lower prices were Brazil, Argentina, Thailand, the Philippines, and Italy.

The German tobacco industry is increasing its usage of tobacco offal (mostly stems) and reconstituted tobacco, and paring the usage of leaf tobacco. It is also increasing the number of cigarettes manufactured from a given volume of tobacco. In 1971/72, an average of 968 grams of tobacco were required to manufacture 1,000 cigarettes; in 1978/79, about 883 grams were needed.

The higher use of burley tobacco is believed to have been in response to a growing demand for full-bodied cigarettes. U.S. burley supplied nearly half of the leaf used for this purpose.

About 18 million people, or roughly 30 percent of the West German population, smoke cigarettes. It is estimated that the number of such smokers had declined only by about 500,000 since 1975; 80 percent of these were non-German workers repatriated to their own countries.

The German industry is expected to use some 163,000 tons of tobacco in 1980, about 3 percent more than in 1979. Assuming a further leveling in the U.S. share of total tobacco use, the German industry may use 37,000-38,000 tons of U.S. tobacco in 1980, about 23 percent of the total. This quantity is expected to include some 3,000 tons of scrap tobacco (available because of the increase in stemming in the United States) and about 2,000 tons of reconstituted tobacco.

German use of burley is expected to continue to grow at the expense of flue-cured tobacco, at a slower rate.

While the volume of purchases of U.S. tobacco is an open question, U.S. tobacco still provides the basic flavor and aroma in German-blend cigarettes. The industry recognizes its dependency on U.S. tobacco for these qualities for the foreseeable future, a fact that explains the industry's concern over the cost, quality, and availability of U.S. tobacco. □

FACT FILE

1980 Food Aid Convention

The United States this year reaffirmed its commitment to the eventual elimination of hunger around the world when Secretary of Agriculture Bob Bergland signed the 1980 Food Air Convention (FAC) on April 29.

This year's FAC is the third such agreement signed by the United States since the first became effective in July 1968. In the past 12 years, almost 45 million tons of food aid to more than 80 developing countries have been distributed under the conventions.

7.6 Million Tons Pledged

The Food Aid Convention of 1980 replaces one that went into effect in 1971, and commits the members to a minimum total contribution of 7.6 million metric tons, up sharply from the 4.2 million tons required by the 1971 agreement. Nineteen countries are members of the 1980 FAC: the United States, the nine-nation European Community (EC), Argentina, Australia, Austria, Canada, Finland, Japan, Norway, Sweden, and Switzerland.

Of the 7,592,000 tons pledged, the United States has promised 4,470,000, and the EC 1,650,000. Other commitments, in tons, are:

Argentina	35,000
Australia	400,000
Austria	20,000
Canada	600,000
Finland	20,000
Japan	300,000
Norway	30,000
Sweden	40,000
Switzerland	27,000

The commodities which may be shipped under the convention are wheat, barley, corn, oats, rye, sorghum, and rice, or products of these grains. This is the first time rice has been included in the convention, although it will not be equivalent on a ton-for-ton basis to other grains in meeting a member's obligation.

Contributions may take three forms: gifts, either in grain or in cash to purchase grain within the recipient country; sales for the currency of the recipient country, if it is not transferable or convertible into the currency of the donor country; or sales on credit agreements of 20 years or more at below-market interest rates.

The 1980 FAC is one component of the 1971 International Wheat Agreement, which was extended to June 30, 1981, after negotiations to reach a new wheat agreement broke down in February 1979. The 1980 FAC expires on the same date as the wheat agreement extension.

10-Million-Ton Target

The new FAC encourages its members to contribute more than their minimum pledges, in order to reach the 10-million-ton target for food aid which participating nations agreed upon at the 1974 World Food Conference in Rome. Even if 10 million tons were shipped in the coming year, hunger would remain widespread. USDA's *Global Food Assessment, 1980,* estimates that meeting the minimal caloric needs of the people of Bangladesh alone would require 2.7 million tons of grain above current import levels. This would consume over one-fourth of the 10 million tons intended for worldwide distribution.

The United Nation's World Food Program estimated in 1978 that food aid requirements by 1985 would range from 12.5 to 16 million tons.

Recognizing the possible inadequacy of the 10-million-ton target, a 1978 report on the operation of Public Law 480 (Food for Peace), prepared under the direction of USDA, recommended that this level of aid be re-examined.

The United States has traditionally shipped more than its minimum pledge. Under the 1971 FAC, the United States was committed to shipping 1.89 million tons a year, but actual aid consistently exceeded this level by large amounts. In 1979, for example, U.S. food aid shipments meeting convention criteria totaled about 5.3 million tons. Other members of the 1980 FAC have increased their minimum pledges from their 1971 levels, though not as much as the 136-percent increase in the U.S. commitment. The EC raised its pledge by 28 percent, Japan by 33 percent, Canada by 21 percent, and Australia by 78 percent.

The total 1980 FAC commitment of 7.6 million tons represents a 700,000-ton increase above existing levels of international food assistance.

No Simple Answers

The 1980 FAC calls for aid to be in the form of gifts "to the maximum extent possible," especially to the least developed countries and those with low per capita incomes. However, past experience has shown that hunger cannot be overcome simply by giving food away, and a food relief program that relied solely on donations would be self-defeating.

A report issued by the International Food Policy Research Institute in 1977 determined that filling the calorie needs of 82 low- and middle-income countries would have required an additional 60 million tons of grain in 1975, 42 percent of the 143 million tons actually traded in 1975/76. Even if it were physically possible to provide such a massive volume through food assistance, doing so would neglect the root causes of hunger and would likely worsen the hunger problem by discouraging agricultural production in the recipient countries.

U.S. Aid Mixed

The U.S. has recognized these problems in the design of its P.L. 480 program, which is the channel through which the United States meets its international food aid commitments.

In fiscal 1980, it is estimated that the U.S. shipped $1.35 billion in agricultural commodities under P.L. 480. Title I concessional sales, in which the U.S. finances the sale and export of agricultural commodities through long-term loans at below-market interest rates, represented nearly 63 percent of the total, at $850 million (4.3 million metric tons). Historically, title I sales have averaged about 70 percent of the value of commodities shipped under P.L. 480.

In 1980, 15 percent of title I allocations were directed into Food for Development programs, authorized under title III, which are designed to promote agricultural and rural development. The remaining $500 million (1.7 million tons) in food shipped in 1980 were outright grants donated to the neediest countries under title II of the law. P.L. 480 shipments are also used to build commercial markets for U.S. agricultural products and to support U.S. foreign policies, human rights concerns in particular.

Donations Are Essential

Of the approximately 5.3 million tons of food shipped by the United States under the Food Aid Convention in 1979, 1.5 million tons were donations made through P.L. 480's title II.

These grants support regular ongoing programs such as school feeding, maternal/child health programs, and food-for-work community development projects, as well as emergency disaster relief, such as that being given to the Sahel, eastern Africa, Somalia, Pakistan, and the Thailand/Kampuchea border.

The direct feeding programs that are supplied by title II grants are an essential part of the U.S. strategy for combating world hunger. Direct feeding programs are generally more effective in meeting the immediate needs of the malnourished than food distributed through local marketing channels (as typically happens with title I commodities). Food sold on the market is often not accessible to those who are the poorest and most hungry simply because they lack the income to purchase it.

Development — The Long-Term Goal

Although grants must remain a part of U.S. food aid, the principal U.S. approach to reducing widespread malnutrition in developing countries is to increase employment and income among the poor to enable them to buy sufficient food.

This can be accomplished through title I concessional sales in several ways. Title I food aid allows a country to save on foreign exchange, making it possible to buy other imports more urgently needed for development. Also, when the commodities are sold through local markets, the local currencies generated can be used to increase production and employment among the poor.

Increased production is especially crucial in the agricultural sector, which is the focus of title III programs. Under title III agreements, which run from 2 to 5 years, countries use the proceeds from local sales of title I-financed commodities for self-help projects which increase farm production; improve the storage, transportation, or distribution of farm products; or improve the quality of rural life through health and nutrition or family planning projects. As the currencies are used, an equivalent dollar value of the title I debt is forgiven. There are now six title III projects underway, with Bolivia, Bangladesh, Honduras, Egypt, Sudan, and Senegal.

The agricultural development of low-income countries does not in the long run conflict with the market-development uses of title I sales. The general economic development of a country and its ability to buy farm products from abroad depends on its developing a strong agricultural base. When their income rises, the people in low-income countries are likely to spend a larger portion of their increased income on more and better food. This increased demand translates into increased food imports and more market potential for U.S. farm products. Thus, agricultural development in the poorer nations is a prerequisite for expanding U.S. agricultural sales to them.

Reliable Supplies Required

Agricultural development is an extended process that requires considerable planning. If food aid is to be used to promote development, then recipient countries need to be assured of continuity of supplies. Reliable supplies are also necessary for uninterrupted relief projects.

Volumes of food aid have been particularly vulnerable to fluctuations in world market conditions. When world production of grains fell in the early 1970's, the value of commodities shipped under P.L. 480 was relatively constant, hovering around $1 billion a year. Volumes, however, fell from 10.9 million tons in 1970 to 3.2 million tons in 1974.

Recently, a proposed Food Security Act was passed out of committee in both houses of Congress. The act would help prevent shortages in the volumes of P.L. 480 shipments by allowing the establishment of a 4-million-ton grain reserve. Up to 300,000 tons could be drawn from this reserve to relieve emergency food needs. The remaining reserve would be available during years of tight supplies when the Secretary of Agriculture is not permitted under Section 401 of P.L. 480 to authorize the volume of shipments needed to meet program commitments. This backup would help ensure the continuity of title I and title II programs.

Morocco

Rising Consumer Demand for Food Keeps Farm Imports High

Members of a Moroccan cooperative bag wheat after harvest. Although Morocco produces some wheat, during the past 6 years 30 percent of all agricultural imports were wheat.

Morocco's import volume of grains and oilseeds has been trending steadily up in recent years, outpacing gains in the country's agricultural exports and thus adding to a widening trade deficit.

Production of sugar and tobacco in Morocco advanced during 1974-79, but trends for other agricultural commodities are steady or declining, and the gap between domestic consumption—fueled by annual population growth of 3 percent—and production is expanding.

During 1974-79, Moroccan agricultural imports, which were 21 percent of total imports in 1979, were significantly higher than exports in terms of value.

The deficit remained fairly constant during the period, except for a sharp rise in 1975.

World prices for Morocco's three leading imports — grains, vegetable oils, and sugar—retreated significantly from their 1974/75 highs through 1979. At the same time, prices for citrus—Morocco's top agricultural export—increased fairly steadily.

Agricultural exports in 1979 accounted for 32 percent of overall exports, for an agricultural import coverage of 81 percent.

In quantity terms, the underlying trends bode wider agricultural trade deficits in future years, since imports of both grains and vegetable oils are trending upward. Increases in real terms for these commodities —even short of their historic 1974/75 highs—suggest wider future trade deficits in value, as well.

By far Morocco's largest agricultural import, wheat accounted for an average 30 percent of all farm imports during the past 6 years. As late as the early 1970's, Morocco averaged only 500,000 tons of imported wheat annually. About three times that amount entered the country in 1978 and 1979, and 1980's total is expected to be even higher.

The outlook is for wheat imports to continue their upward trend in quantity as the gap between consumption and production grows. Also, the import value of wheat is expected to curve upward as world prices rebound. Import value figures of the past 4 years have masked the steepness of the quantity uptrend.

In 1978, the vegetable oils sector overtook sugar as Morocco's second most important agricultural import.

With the country's production of oil from sunflowerseed and cottonseed continuing at a relatively low level, almost all domestic oil requirements will still be met by imports—mostly in the form of soybeans and soybean oil.

Olive oil exports fell to minimal levels in 1978 and 1979, but are recovering in 1980.

Morocco's goal of self-sufficiency in sugar by 1985 appears to have been pushed back to 2000. The drive reached 66 percent in 1978 —a remarkable achievement considering that there had been virtually no domestic production prior to the mid-1960's. Most of the sugar produced is from beets. Although imports over the next few years are expected to remain at high levels, the long-term import trend is downward.

Other imports include corn, tobacco, dairy products, and cotton.

About two-thirds of the country's relatively small corn production is for human consumption, and

most of it is ground into meal. The expanding feed requirements of the poultry industry make imports of corn mandatory. Imports in 1979 reached 106,000 tons, and are expected to reach 140,000 tons in 1980.

Morocco plans to increase tea production to supply 20 percent of domestic requirements by the mid or late 1980's. Imports of coffee—and to a large extent, tea—are expected to grow concomitant with production increases, barring Government restrictions.

Morocco has steadily increased production of dark tobaccos since the early 1970's, but import needs for light tobaccos for blending continue to be strong and are expected to remain so.

Milk imports declined in 1978 as a result of import restrictions on dairy products. The restrictions apparently were relaxed in 1979, as imports for the year rose sharply. Butter imports also continue to increase. Cheese imports, however, have been reduced. In the absence of any significant increases in domestic milk and butter production over the short term, it is unlikely that imports of dairy products can be held down.

In view of declining domestic production, cotton imports should continue to trend upward. Morocco imports short-staple cotton for textile production and exports its long- and extra-long staple cotton. The gap between imports and exports is expected to widen. Domestic production in recent years has been at the lowest level since the early 1960's.

Among exports, citrus is Morocco's leading commodity after phosphates. Citrus shipments have increased in value during the past 6 years, although quantities have fluctuated from year to year. Citrus accounted for an average of 30 percent by value of all agricultural exports over the past 6 years.

Despite these advances, export tonnage levels are still not back up to those of the early 1970's. There is some hope for continued gains over the long term as a result of improvements in varieties and new groves. However, this outlook must be weighed against the sharp competition that Moroccan citrus meets in Western Europe, its leading market.

The processed fruit and vegetable sector has been relatively stagnant during the past 6 years, although canned vegetables showed recovery in 1979. This performance was partly caused by dry weather in 1973, 1975, and 1977, as well as packaging and distribution problems and increasing competition in Western Europe from other producers.

For early fresh vegetables, peak exports were reached in the 1960's. More recently, tomato exports began to decline. However, values have not fallen as sharply, owing to inflation.

Canned fish remains Morocco's second most important agricultural export. Fresh, salted, dried, and canned fish exports have not changed much in quantity. However, fishmeal exports have been declining, owing to unfavorable shifts in ocean currents that have lowered production levels measurably and increased demand from the domestic poultry industry.

Following the peak export year of 1972, production and exports of short-style cotton have decreased and are now at their lowest levels since the 1960's, while imports of long-style have registered steady growth, creating an expanding net trade deficit. —*Based on reports from Office of U.S. Agricultural Attaché, Rabat.* □

Czechoslovakia

Better Weather To Cut 1980 Grain Imports by Half

Under the impact of better weather, Czechoslovakia's agricultural production in 1980 should rebound from the poor results achieved in 1979. Grain production will show substantial improvement over 1979's results and may come close to the target set by the 1980 plan.

With the livestock sector showing only a moderate rise, the discrepancy between domestic grain supplies and demand by livestock for grain should be reduced considerably.

This means grain import requirements in 1980 may be cut at least in half compared with those of 1979. There should be no major change in soybean meal imports.

Unfavorable weather conditions in late 1978 and early and mid-1979 cut Czechoslovakia's gross agricultural production in 1979, reducing the farm sector's contribution to the gross national income and forcing Czechoslovakia to make large grain imports to enable the livestock sector to meet consumer demand for meat. The United States was the main source for this grain, as well as for a number of other products.

U.S. agricultural exports to Czechoslovakia totaled somewhat over $250 million in 1979, against $77 million in 1978, excluding transshipments. Among the main farm items exported to Czechoslovakia in 1979 were 442,000 tons of wheat ($79 million), 728,000 tons of corn ($89 million), 231,000 tons of soybean meal ($53 million), and $29 million worth of hides and skins. Other exports included sunflowerseed ($3.7 million), tobacco ($2 million), and fresh lemons ($400,000).

Czechoslovakia's crop outturn fell 9 percent in 1979, while grain production was down 20 percent. The livestock sector, on the other hand, showed a 0.2 percent rise. The cumulative 3.3 percent drop in gross agricultural production reduced agriculture's contribution to the national income to 10 percent in 1979 from the 10.6 percent of a year earlier.

In 1980, the farm sector must make a maximum effort if it is to attain the planned 7.2 percent increase in production, including a 20 percent gain in grain output. The expectation for livestock is modest, with an anticipated rise of only 0.3 percent.

The grain target presupposes a per-hectare yield even higher than those achieved in the record years of 1974 and 1978, which will not be easy to achieve. Nevertheless, despite insufficient deliveries of fertilizer, plant protection chemicals, machinery, and technology, Czechoslovakia may come close to its 1980 grain target.

The goals set in the livestock sector are realistic, provided production enterprises make more efficient use of livestock feeds.

Within the livestock sector, major structural changes are likely to be made in 1980. Cattle production profitability is expected to be enhanced by changes in prices and taxa-

tion, while profit from raising hogs and poultry may be cut. With these measures, the Government hopes to boost beef output and stabilize, or even reduce, production of pork and poultry meat.

During 1980, efforts are being made to increase cattle numbers by 46,000 head to 4.96 million and cow numbers by 20,000 head to 1.92 million.

In 1980, because of the Government's new price and taxation measures, some changes may be noted in hog supplies late in the year or early in 1981. Pork production in 1980 might reach 970,000 tons.

Grain production during 1980 is targeted at 11 million tons, 20 percent above 1979's output. This would represent an average yield of 4.2 tons per hectare, a record level.—*Bosed on report by Nicholos M. Thuroczy, U.S. Agriculturol Attoché, Vienna.* □

Costa Rica

Beef Exports Falling Below 1979 Level, But Upturn Seen in '81

Hereford cattle grazing in Costa Rica. Poor pasture conditions have contributed to lower beef output and exports this year.

Costa Rica's beef exports for 1980 are projected to be significantly lower than in 1979, but to revive somewhat in 1981.

Exports in 1980 of fresh, chilled, and frozen beef and veal are forecast at 22,500 tons, of which 21,775 tons are expected to go to the United States. During 1979, total exports were 33,120 tons, of which 31,643 tons went to U.S. customers. Exports in 1981 should total about 25,000 tons, of which 24,000 will probably go to the United States.

Costa Rica's production of beef and veal this year is projected at 67,000 tons, compared with 81,800 tons in 1979. Production in 1981 should rebound, however, possibly reaching 75,000 tons because of lower interest loans for feedout cattle and greater availability of cattle previously withheld from the market.

The lower production and export levels this year are attributed to a combination of factors, including:

- Poor pasture conditions resulting from inconsistent rainfall during May/June.
- Declining export prices.
- Closed processing plants during April-June.
- High interest rates on loans for feeding.
- Prospects for higher export prices later this year, causing withholding of slaughter animals from the market during the first part of the year.

The Costa Rican National Production Council reports 52,846 head of cattle slaughtered for export during the first 6 months of 1980, compared with 88,153 during the year-earlier period.

Three of the four packing plants authorized to export meat to the United States were closed for several months, primarily because of a shortage of steers for slaughter. The plants resumed operations in mid-July.

Costa Rica's beef cattle herd this year was estimated at 2,093,000 head in early 1980, compared with 2,008,000 in 1979. As a result of cattle being withheld from the market, the 1981 cattle inventory should reach 2,263,000 head. —*Bosed on report from Fronklin D. Lee, U.S. Agriculturol Attaché, San Jose.* □

Sweden

Alcohol Production Plans Could Halve Petroleum Imports

Sweden plans to halve its dependence on imported petroleum during the next 20 years by developing nonpetroleum sources of energy, including the diversion of export availabilities of coarse grains, potatoes, and sugarbeets to production of ethanol (anhydrous alcohol).

The fuel thus obtained would be used to supplement petroleum-based products.

Sweden's annual exportable grain availabilities normally are around 1 million tons, which represents the output from about 250,000 hectares—approximately 8 percent of the country's arable area.

The Government is expected to decide this year whether or not to begin ethanol production at a sugarbeet factory, using a combination of sugarbeets and grain. This plant would have a projected capacity of 500 million liters (132 million gallons) of ethanol annually, equal to about 8 percent of Sweden's annual gasoline consumption.

The cost of producing ethanol largely from grain has been estimated at the equivalent of about $1.76 per gallon, of which half would reflect fixed costs. The estimate excludes the value of residual feeds and fuels—normal byproducts from grain-produced

ethanol—and has been calculated to take into consideration opportunity costs (such as export costs for grain) to maintain farm incomes at Sweden's relatively high levels.

Sweden's entrance into the alternative fuel program was precipitated by the country's increasing dependence on petroleum imports and its total lack of indigenous petroleum, natural gas, or coal.

In 1978, petroleum was Sweden's principal source of energy (69 percent), followed by hydropower (14 percent), liquid bark, a residue from the pulp and paper industry (8 percent), and nuclear power (5 percent).

By 2000, Sweden expects to reduce the petroleum share to 35 percent by increasing the contributions of natural gas, hydro and wind power, solar heating, biofuels, and peat.

Sweden's alternative fuels program began in 1975 as a part of the country's overall energy policy. At that time, the Swedish Methanol Development Company (SMAB) was established by the Government and charged with responsibility for investigating and developing work related to producing and distributing synthetic fuels.

In 1978, SMAB concluded that commercial production of ethanol, based on domestically produced agricultural products, could be feasible by 1981. However, domestic production of methanol (methyl alcohol) is not expected to be commercially viable until approximately 1988.

The Swedish Energy Commission estimates that 30 percent of its gasoline and 30 percent of its diesel fuel requirements can be filled by nonpetroleum fuels by 2000.—*Marshall H. Cohen, Economics and Statistics Service.* □

Kuwait

U.S. Farm Sales Up Sharply, Subsidies Aid Trade Generally

A doubling of U.S. farm sales to Kuwait in the first half of 1980 indicates that this country finally has begun to participate in Kuwait's booming agricultural import trade after a long wait on the sidelines. Kuwait's total farm imports, in turn, are heading toward the $1-billion mark as rising petroleum income and widespread subsidization of food prices encourage growth.

Top, harvesting U.S. corn, and above, loading U.S. grain for export (photo courtesy the Port of New York Authority). Larger sales of U.S. grain and soybeans have contributed to the growth in U.S. exports to Kuwait.

U.S. farm exports to Kuwait in the first 6 months of 1980 reached a record $28.3 million, compared with $13.2 million shipped during the same period of 1979 and $22.7 million in all of 1979. This strong gain reverses the heretofore declining U.S. share of Kuwait's agricultural imports, which dipped to under 3 percent of the total last year. U.S. farm exports then were only $2 million above the 1978 level of $21 million, while total agricultural imports by Kuwait went from 1978's $630 million to more than $900 million.

Leading U.S. gainers in the first half of 1980 included corn, rice, soybeans, soybean meal, and corn oil, with results such as:

- A sixfold increase in volume of rice shipments, from 2,008 metric tons (worth $905,000) in the 1979 period to 12,289 tons ($5.8 million);
- A major breakthrough in corn sales, which shot from only 100 tons (valued at $9,000) to 17,000 tons ($2.6 million);
- A sixfold gain in soybean meal shipments to 11,591 tons valued at $2.9 million; and
- Sales of 11,550 tons of soybeans worth $2.7 million against none in the 1979 period.

U.S. rice benefited from the attractive prices offered for top grades of long-grain rice. The average price for U.S. rice exported to Kuwait in early 1980 was $473 per ton, or less than the average price for basmati rice. Rice now is one of Kuwait's leading agricultural imports, exceeding 100,000 tons in total last year; basmati rice from Pakistan and India dominates the market in most years.

U.S. poultry meat was another big gainer in the first half of 1980 as shipments rose from 687 tons in January-June 1979 to 1,668 tons, and value from $956,000 to $2.2 million. Smaller arrivals of poultry meat from Eastern Europe contributed to the increase.

Similarly, the value of U.S. pulse exports rose to $712,000, up 83 percent from the $389,000 earned in 1979's first half; seed exports rose 48 percent to $188,000; and U.S. oranges entered the market for the first time, earning $175,000, as Kuwait capitalized on reduced prices resulting from a bumper U.S. orange harvest.

U.S. vegetables and preparations, on the other hand, were among the losers, dropping 20 percent to $2.4 million in the wake of larger deliveries of vegetables from Saudi Arabia and South Asia.

As in other markets on the Arabian Penninsula, imports of farm products have been encouraged by liberal Government subsidies on basic food products. Indeed, programs to keep food prices low and assure adequate quantities of essential products have caused prices charged by private grocery stores to decline in real terms during the past decade.

Benefiting from subsidies are six dietary staples—rice, sugar, powdered milk, shortening, lentils, and tomato paste—which are sold in special shops at fixed prices. The Kuwait Supply Company and other public agencies handle the importing, distributing, and marketing.

Sugar can be purchased in these shops for prices that are about one-third those on the open market, and lentils and top-grade U.S. rice for half the going rates.

Kuwait Supply Company also operates flour mills, a soybean crushing plant, and some feed factories. The combination of subsidies and ample capital for its operations, however, has caused a decline in business activities by private firms once heavily involved in importing rice and corn.

Another factor in the market is the Union of Cooperatives, which operates a number of grocery stores where profit margins are about 10 percent annually. The union receives some Government subsidies aimed at maintaining reasonable food prices and evaluates imported foods on the basis of quality, price competitiveness, dependability of suppliers, and safety for consumer health. These activities have resulted in favorable ratings for U.S. lentils, dried beans, peanut butter, honey, corn oil, almonds, salted peanuts, canned pears, and other food products.—*John B. Parker, Jr.; Economics and Statistics Service.* □

West Germany

EC Official Says Import Levy Solves no Farm Problems

Klaus Wettig, a member of the Agricultural Committee of the European Community's European Parliament, contributed the following comment on EC protein policy to the July 26, 1980, issue of the German food and feed trade paper, *Ernaehrungsdienst:*

"He who thinks of EC Common Agricultural Policy thinks first of subsidies—especially in the milk sector. Thus, in the current farm price debate, the question of prevention and reduction of surpluses is the key point. Two ways are being considered: Reduction of milk output and increases in consumption of milk products, especially of butter. Too high a level of butter production is blamed on imports of cheap feeds; low butter consumption is blamed on cheaper margarine from imported fats.

"In the Federal Republic of Germany (FRG), butter is presently about two times as expensive as margarine. The competitive position of butter could be improved only by making margarine more expensive. This could be achieved only by a considerable change: In the EC 'cheap butter program,' price-reduced butter first displaces the more expensive butter grades and only to a smaller extent the cheaper margarine.

"Even if the consumer were offered butter and margarine at equal prices, it is not certain that this would result in increases in butter purchases to the extent desired, for margarine consumption is not determined only by price. However, for those low-income groups who can only afford margarine, this would mean a substantial increase in their cost of living. Consequently, those who want a uniform fat policy must also want a deterioration of the consumer situation, or, at least, be willing to accept it.

"The benefits of making livestock feed more expensive would be just as problematic. According to nutritionists, 1 kilogram (kg) of mixed feed raises milk output by 2-2.5 kg. In the FRG, the price of 1 kg of milk buys 1 kg of feed.

In other words, in order to make the use of mixed feed unprofitable, even in this case, feed prices would have to be raised drastically. Furthermore, only 10 percent of the imported feeds are used in the dairy sector. Also, the measure cannot be limited to affect only materials used in the manufacture of dairy feed; pork and poultry prices also would be raised. Again, the consumer would have to pay higher prices, while the structural problems of agriculture would not have been brought one step closer to a solution.

"In addition to internal aspects, one cannot disregard the effects of such measures on trade and international development policy. The raw materials are supplied mainly by the United States and several developing countries. A change of the GATT (General Agreement on Tariffs and Trade) bindings for fat and protein raw materials would definitely result in demands for compensation, which, in view of the high dependence on exports by the Community, would presumably exceed the expected gains.

"For many of them (the developing countries), the export of vegetable raw materials is the major—if not the only—source of foreign currency. Many of these countries have expanded oilseed production in anticipation of growing EC requirements. Therefore, self-restraint agreements alone, as demanded time and again, are unacceptable from the viewpoint of development policy."—*Based on translation and report from the Office of U.S. Agricultural Counselor, Bonn.* □

Japan

Cheese Output Rising in Response To Popularity of Western Foods

Japan's expanding processed cheese industry is expected to continue growing despite a relatively high import duty on natural cheese, the principal ingredient in the manufacture of processed cheese in Japan.

Japanese processed cheese production in 1979 totaled 67,829 tons, an increase of 2.2 percent over the 1978 level. Four manufacturers produced almost 90 percent of the total volume, of which about 80 percent was consumed at home, 14 percent in hotels and restaurants, and the rest in school lunch programs. Strict quotas limit processed cheese imports—to around 300 tons per year.

Natural cheese production in Japan during 1979 amounted to only 8,927 tons, with most—if not all—of this output going to the processed cheese industry. The major source of natural cheese supplies was imports, which in 1979 reached 73,544 tons, up 4.5 percent from the year-earlier level. Australia and New Zealand together accounted for nearly 70 percent of the 1979 import volume. The United States supplied 931 tons — a jump of 52.2 percent from the 1978 level.

Imported natural cheese is dutiable at 35 percent, except for a quantity double the volume of domestic production that is exempt from duty.

Thus, of total 1979 imports, 17,854 tons entered duty free, while the remainder was dutiable at 35 percent. In Japan's fiscal 1979 (Apr. 1979-Mar. 1980), the duty-free allocation was 22,300 tons, and the allocation for the first half of fiscal 1980 was 10,900 tons. Total imports of natural cheese are expected to continue growing during 1980.

Using 1979's processed cheese production of 67,829 tons (natural cheese to processed cheese converts at a factor of 1:1.12) and the domestic availabilities of natural cheese (8,927 tons), it is estimated that 51,634 tons of the total natural cheese imports were converted into processed cheese in 1979.

Consumption of natural cheese by users other than the processed cheese industry is increasing rapidly as Western-style foods gain in popularity throughout Japan. In 1979, an estimated 20,410 tons of natural cheese imports were distributed to meet this demand—a jump of about 13 percent from the year-earlier level. Of the total, 4,850 tons were retailed to consumers and 15,560 tons went to institutional users.

By type, 43.7 percent was distributed in blocks, 35.3 percent shredded, 14 percent as cream varieties, and 7 percent powdered. Japanese import demand in 1979 for cream and shredded types was an estimated 84 percent and 60 percent, respectively, above year-earlier totals.

The 931 tons of natural cheese imported from the United States in 1979 included about 290 tons of cream and 100 tons of powdered types in addition to block types. The large increase in imports of cream and shredded types apparently is stimulating domestic production of these types.

While it is difficult to assess because of the many unknowns in this relatively new market for cheese, consumption of natural cheese is expected to increase by about 10 percent in 1980.

Domestic processors—through the Cheese Consumption Council, founded 8 years ago—have exerted promotional efforts through cooking and media campaigns.

Traditional cheese exporters in Denmark, the Netherlands, Australia, and New Zealand are active in Japan through their respective dairy export promotion organizations. Some work is also done by U.S. processors, who have joint promotional ventures with their Japanese counterparts.

Japan's per capita cheese consumption (both home and institutional use) was an estimated 0.7 kilograms in 1978, compared with 7.8 kilograms in the United States and 12.4 kilograms in West Germany. Given Japan's population of 118 million, even a small increase in per capita consumption would raise total annual cheese requirements substantially.—*Based on report from Dudley G. Williams, U.S. Agricultural Counselor, Tokyo.* □

Portugal

Farm Credit Plan Revised

Portugal's Minister of Agriculture and Fisheries, Cardoso e Cunha, has announced changes in the emergency agricultural credit system instituted in 1975.

The new credit system will enable farmers to borrow directly from the banking system at more favorable rates of interest.

Until now the CAE has provided short-term loans to farmers through the nationalized banking system but administered by a Government agency, the Institute of Loan and Fund Management (IGEF).

Cardoso e Cunha also said that of the Esc13 billion (U.S. 26,709,000) credit available under the CAE, Esc9 billion were loaned to the collective sector of the agrarian reform area of the Alentejo and the balance was loaned to the farmers in the rest of the country. Of the loans made to the collective sector, only about Esc4 billion had been repaid and 4 billion were now outstanding.

Under the proposed credit system farmers may borrow directly from the banking system at rates of interest made favorable by subsidies. The amount of the subsidy will vary according to the period, amount of the loan, and the borrower's credit standing. The present CAE-subsidized rate of interest stands at 13.25 percent or 5.50 percent below the unsubsidized rate of interest of 18.75 percent.

The Portuguese Government also recently announced a new credit program that will enable non-land owning tenant farmers to buy their rented land.—*Based on report by Richard T. McDonnell, U.S. Agricultural Attaché, Lisbon.* □

TRADE BRIEFS

Clouds Gathering Over Brazil's Export Boom In Poultry Products

A domestic cost/price squeeze and the hostilities in the Middle East could affect Brazil's booming poultry industry. Since March, prices paid by Brazilian producers for broiler rations and day-old chicks have risen sharply. Because 90 percent of the country's poultry exports go to the Middle East, there is concern in Brazil over the effects of the conflict. Brazil's poultry meat exports are expected to expand 67 percent to 135,000 tons this year, compared with 81,000 tons in 1979. Egg exports, estimated at 54 million pieces in 1980, will be shipped almost entirely to the Middle East region.

EC Price Proposal Envisions Flexible Plan For Fruits, Vegetables

Regionalization of guide and intervention prices for fresh fruits and vegetables has been suggested in discussions of the pending inclusion of Spain, Greece, and Portugal in the European Community. The proposal envisons a more flexible system that would help avoid overproduction in the EC's southern regions by establishing lower prices in surplus areas and higher ones in deficit areas. Under the plan, transportation costs would be considered in the price formula.

Soviet Potato Shortfall Puts Pressure on Livestock Feeding

A shortfall in the Soviet Union's potato crop puts additional pressure on the country's need to import grains and other feedstuffs for livestock production. Hampered by heavier rainfall and cooler temperatures, the 1980 potato crop is now estimated in the range of 78-85 million tons, 20-25 percent below plan. In recent years, human consumption of potatoes has accounted for only about 30-35 million tons of the average crop of 85-95 million tons. Most of the remainder is used as livestock feed, primarily for hogs.

Egypt Eyes New Markets As Sales of Oranges Rise

Egypt's exports of sweet oranges, which account for most of the country's citrus exports, rose 44 percent to 144,288 tons in 1979/80, with the Soviet Union and Saudi Arabia the top markets. In order to boost citrus exports, the Government is planning to open new markets for processed citrus products—mainly single-strength canned orange juice.

U.S. Cotton Share Gains in West Germany

West Germany's cotton imports from 38 countries rose a sharp 9.4 percent during the 1979/80 season (August-July) to 887,700 bales (480 lb net) as the U.S. share jumped to 16.1 percent (142,600 bales)—the largest since 1964/65. However, during the current 1980/81 season, West German imports are seen falling 16 percent to about 750,000 bales, with the U.S. share also dipping because of the smaller 1980 U.S. crop.

Japan's Market for Imported Hay, Roughage Slumps; U.S. Share Off

Japan's market for imported hay and roughage has slumped in 1980 following a 30-percent surge in 1979, primarily because of higher prices for alfalfa meal pellets and hay cubes, increased domestic forage and fodder production, and a slowdown in dairy feeding in order to limit surplus milk. The import decline this year mainly reflects reduced purchases of alfalfa meal pellets and hay cubes. However, imports of baled hay were up slightly. Because of the large U.S. share in the hay-cube trade, Japanese imports of hay and roughages from the United States fell 22 percent to 125,000 tons during January-June, 1980. The U.S. share slipped from 43 percent to 37 percent.

U.S. Farm Exports To Algeria Nearly Double in 1979/80

U.S. agricultural exports to Algeria during the first 11 months of fiscal 1979/80 nearly doubled, rising to $184 million from $95 million in the same fiscal 1979 period. The biggest gain was in shipments of beans and lentils that rose from $16 million to $39 million. Other gainers were: Wheat, from $57 million to $98 million; corn, up 50 percent to $18 million; tobacco, from $3.8 million to $5.8 million; and a first-time sales of sunflower oil, worth $5.3 million. Algeria's farm imports are estimated at $1.7 billion in 1979, up from $1.3 billion a year earlier, with France the top supplier.

U.S. Is No. 2 Supplier As Argentina's Poultry Imports Climb in 1980

Argentina's poultry imports are projected at a record 12,000 tons in calendar 1980, up 36 percent from 8,800 tons imported last year. Imports in 1981 are expected to remain near this year's level. As a result of the Government's elimination of import duties in early 1979, Argentina imported poultry meat for the first time last year. During January-August 1980, the country's poultry imports totaled 8,038 tons, with Brazil (4,465 tons) the leading supplier. The United States was next with 1,887 tons, of which a little over two-thirds were broilers, the rest turkey meat.

Opportunities Opening For U.S. Poultry, Eggs In Yemen Arab Republic

The Yemen Arab Republic produces only about 7 million chickens annually, while imports this year are estimated at about 67 million chickens, mostly broilers, and more than 200 million eggs. Although presently chickens are imported mainly from Europe, the situation offers opportunities for U.S. exporters. The country is striving to increase domestic production of poultry and eggs, and plans to develop breeding operations for both broilers and layers in efforts to boost output and help close the tremendous gap between domestic supply and consumption.

Here & There

The Australian Wheat Board announced in late October a sale of 1 million tons of wheat to Egypt, completing the current 3-year bilateral agreement. In the 1979/80 crop year (Dec.-Nov.), Egypt ranks as Australia's third largest customer with 1.8 million tons. . .Trade sources indicate that Panama plans to sell 5,000 head of live cattle to Costa Rica, which would mark the first time Panama has exported such quantities since 1977. . .A large French company, specializing in production of corn and sunflower seeds, has reportedly concluded an agreement with China's National Society of Seeds. The joint program calls for research in China to produce corn varieties suitable for Chinese growing conditions.

Index to Foreign Agriculture, 1980

F

G

H

I

J

K

L

M

N

O

P

R

S

T

U

V

W

Y-Z

U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250

PENALTY FOR PRIVATE USE $300
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE
AGR 101

First Class

WORLD AGRICULTURAL DAYBOOK

DECEMBER

Trade/Technical Team Trips

U.S. Teams Overseas

Date	*Team*	*To*
Nov. 29-Dec. 7	Michigan Bean Shippers Association	Italy, United Kingdom, Ireland
Late Nov.-Early Dec.	Tanners' Council of America, Inc.	China
Late Nov.-Early Dec.	American Seed Trade Association	China
Late Nov.-Early Dec.	Holstein-Friesian Assoc. of America	China
Late Nov.-Early Dec.	Natl. Assoc. of Animal Breeders	China

Meetings

Date	*Organization and location*
In Dec.	Meeting of Trade Working Group of U.S.-Mexican Consultative Mechanism (location undetermined).
Dec. 1-3	OECD Ad Hoc Group on East-West Economic Relations in Agriculture, Paris.
Dec. 1-4	National Milk Producers' Federation Annual Meeting, Miami.
Dec. 1-4	U.S.-People's Republic of China Joint Working Group on Agriculture, Washington, D.C.
Dec. 1-4	Conference of African Agricultural and Rural Development Officers, Nairobi, Kenya.
Dec. 3-4	U.S.-Japanese Forest Products Commission, San Francisco.
Dec. 8-12	FAO Intergovernmental Group on Meat, Rome.
Dec. 9-10	Annual Grain Consultations with Japanese, with emphasis on rice, Washington, D.C.
Dec. 9-10	U.S.-Japan Agricultural Consultations, Washington, D.C.
Dec. 9-10	Joint Research Committee of BIFAD, Washington, D.C.
Mid-Dec.	International Dairy Agreement, GATT, Geneva.
Dec. 15-16	International Meat Council, GATT, Geneva.
Dec. 15-18	Cooperation in Agricultural Science and Technology, Bonn.
Dec. 16	Public Sessions on North American Trading Agreements, Minneapolis.
Dec. 18	Public Sessions on North American Trading Agreements, Seattle.

Trade Fair/Exhibit

Date	*Event and location*
Dec. 6-14	Querétaro Dairy Show, Querétaro, Mexico.


U.S. DEPARTMENT OF AGRICULTURE
NATIONAL AGRICULTURAL LIBRARY